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# FINANCIAL TIMES

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## NEWS SUMMARY

GENERAL BUSINESS

### Textron bribe inquiry dropped

Allegations that U.S. Treasury Secretary G. William Miller was linked with foreign pay-offs made by Textron, a company he once headed, were dropped as a legal matter. Attorney-General Benjamin Civiletti denied a request by members of the Senate banking committee to appoint a prosecutor to examine whether Mr. Miller told the truth when he assured Congress that he knew nothing of Textron's overseas bribes. Committee staff officials said they had no intention of taking the matter further.

### Hostage hopes

Colombian Government is hoping to hold new talks soon with Left-wing guerrillas who have reduced their demands for the release of more than 30 hostages they are holding in the Dominican Republic Embassy, Bogota.

### Kidnap theory

Police believe they have found the body of Thomas Niedermayer on a building site at Dunmurry, near Belfast. The German industrialist, and diplomat was kidnapped six years ago.

### N-worker dies

A third worker at the Aldermaston nuclear plant in Berkshire has died of cancer, and his body is to be examined by a leading radiation biologist.

### Olympics plea

The Archbishop of Canterbury, Dr. Robert Runcie, said he was against British athletes taking part in the Moscow Olympics.

### M-way move fails

Secretary Lesley Lovelock's campaign to block the building of a £20m extension to the M25 in Essex received a setback in the High Court when her plea to quash Ministry of Transport compulsory purchase orders on land needed for the motorway was refused.

### Syrian riots

President Hafez al-Assad's regime in Syria is believed to be facing a serious challenge from Moslem dissidents with reports of riots and serious damage to public buildings. Page 4

### Terrorists law

Turkey is to revive a law which allows security forces to shoot wanted terrorists on sight. The move follows a further rise in terrorism.

### Jenkin criticised

Social Services Secretary Patrick Jenkin faced allegations from Labour MPs in the Commons that he failed to consult Government law officers before suspending Lambeth, Southwark and Lewisham Area Health Authority last year. Page 10

### Briefly

Provisional IRA claimed responsibility for Monday's shooting of British soldier Corporal Steven Sims in West Germany.  
Bomb blast wrecked part of a Government social security centre in Bilbao, Northern Spain, shortly after it was evacuated.  
Women medical students chained themselves to railings in protest at the possible closure of the Royal Free Hospital School of Medicine, North London.  
Cambridge Union - the university's debating society - elected its fourth woman president in its 165-year history.

### CHIEF PRICE CHANGES YESTERDAY

(Prices in pence unless otherwise indicated)

RISES		FALLS	
Treas. 12pc 1984-85	289 1/2	Aberdeen	128 - 9
Treas. 13pc 1985-86	286 1/2	Barnsley Rand.	230 - 13
Ascid. Danies	184 + 6	Johnson Matthey	188 - 13
Russell (G.)	66 + 4	Bongalville	490 - 20
British Sugar	170 + 18	Da Beers Ltd.	490 - 20
Cement Boardstone	82 + 4	Coas. Gold Fields	490 - 22
Duffield Steels	92 + 4	Durban Deep	£112 - 34
GNK	275 + 7	Free State Gold	£23 - 31
Home Charm	145 + 6	Karway	780 - 124
Land Securities	384 + 7	Barbican	£351 - 24
MTEC	204 + 6	Imps. Plat.	268 - 50
Parker Knoll A	122 + 9	Kinross	452 - 76
Sedgwick Forbes	97 + 4	Lennard OH	50 - 25
Stag Furniture	183 + 5	North Kalgur	53 - 8
Status Discount	71 + 6	Pacific Copper	184 - 26
Turner and Newall	127 + 8	RXZ	394 - 13
Sabena (UK)	370 + 20	St Helens	£144 - 24
Viking Oil	£104 + 1	Samartha	80 - 10
London Sumatra	402 + 12	Ventureport	538 - 116

## Town hall staff to black issue of rate demands

BY PHILIP BASSETT AND ROBIN PAULEY

Leaders of 560,000 local authority white collar staff yesterday announced a widespread programme of industrial action. It could force up council borrowing by halting the issue of rate demands, and disrupt Easter holiday air traffic.

The National and Local Government Officers' Association said the action was being called in reply to the authorities' 6-12 per cent comparability offer. The action, which will affect the commercial and industrial sectors as well as domestic ratepayers, will be taken in the main by computer staff. NALGO also organises council post room and other clerical staff. They are subject to the blacking instruction to try to prevent expected attempts by authorities to bring in some form of manual issue of demands. The second major strand of the action is to ballot air traffic control officers in municipal airports to seek their support for industrial action during the Easter holiday. Traffic from major airports such as Heathrow, Gatwick and Manchester would not be directly affected. Those affected would include Luton, one of the major centres for foreign holiday package tours. East Midlands, Leeds Bradford, Bristol and Teesside. Seriously disruptive action could be taken by local authority meat inspectors, who approve the supply of meat to processing factories and thence to shops. The union will ballot the inspectors on strike action. Union members have been instructed to refuse co-operation with council consultants, contractors and agency staff. Officials agreed this could lead to payments to contractors being frozen. The union will call all its members in local government out on a one-day strike next month. It is authorising members in ban all non-contractual overtime, work on statistical return to central Government, and the payment of local councillors' attendance allowances.

### REVOLT OVER BILL

The Government faces open revolt from all local authorities and their Tory-controlled associations over its refusal to compromise on controversial parts of the Local Government Bill. The final split came in the committee stage of the Bill yesterday when Mr. Tom King, Local Government Minister, announced the Government was rejecting all the authorities' alternative proposals to reform of rate support grant. The local authorities had been hoping for at least some gesture of compromise. Page 10. Editorial comment, Page 22.

## U.S. may impose formal trade sanctions on Iran

BY DAVID BUCHAN IN WASHINGTON

THE U.S. is likely to impose formal trade sanctions on Iran and will ask allies not to undermine its economic squeeze, according to Administration officials. This follows the collapse of hopes for the immediate release of the hostages in Tehran. The five-man United Nations team, sent to Iran last month to hear its grievances and pave the way to freedom for the 50 hostages, left for New York yesterday. The U.N. team is expected to see Administration officials in Washington, the State Department said. But this does not preclude unilateral steps by the U.S. beforehand. Military action or a naval blockade are ruled out for the moment. The most likely step is the formalisation of trade sanctions. This would be more a gesture to the American public, according to Administration officials, than a tightening of the economic screw on Iran. Trade between the two countries is already at a standstill, with the U.S. renouncing purchases of Iranian oil, blocking Iran's financial assets and a U.S. dockers' strike on shipments to Iran. Washington is anxious that its European allies, fretting at the long hostage deadlock, want to increase business with Iran. Reports that Italy is ready to sell helicopters are causing concern. Fading hopes for a negotiated settlement are pinned on the belief that Iran still wants a U.N. report on its grievances against the Shah, as a mark of legitimacy for the revolution. At the U.N. Dr. Waldheim said he had rejected the committee's recommendations set by the Ayatollah for it to see the hostages became impossible to fulfil. "We cannot control the situation in Tehran," he said. "Evidently there is a power struggle." Dr. Waldheim reiterated that the Committee would return to Tehran after certain questions had been clarified with Iran and the U.S. A formal report on the Commission's 17-day visit would not be issued until both aspects of its mandate were completed. The first was to hear Iran's Continued on Back Page U.S. moderates angry Page 4

## Gold shares tumble

FINANCIAL TIMES REPORTER

SOUTH AFRICAN Gold shares registered their biggest ever one day falls yesterday following another sharp decline in the bullion price. The Financial Times Gold Mines index dropped 33.9 to 286.6 and has now fallen 70.7, or 19 per cent, over the past three trading days. Dealers marked down gold shares yesterday morning as a result of heavy overnight selling in the U.S. A rash wave of selling from London, Johannesburg and Continental investors caused further sharp falls during the morning and early afternoon. Share prices tended to follow the movements of the bullion price which, despite a minor rally in the afternoon, eventually closed in London \$17 lower at \$568.50 an ounce. This followed a \$25 fall on Monday. The selling pressure affected all gold shares and high priced issues like Randfontein and West Driefontein had losses of over £3. The bullion market has come under pressure recently as a result of high interest rates. This has made bullion investment, with hopes only of a capital gain, less attractive. In addition the effect on the markets of political tension in the Middle East has waned in recent weeks.

\$ in New York

	Mar. 10	Previous
Spot 1 mth	\$2,218.5	\$2,219.5
3 mths	\$2,218.5	\$2,219.5
6 mths	\$2,218.5	\$2,219.5
12 mths	\$2,218.5	\$2,219.5

## Mugabe names his Cabinet

By Bridget Bloom and Michael Holman in Salisbury

MR. ROBERT MUGABE, Rhodesia's new Prime Minister, last night appointed a broadly-based Cabinet of 22 Ministers including two Europeans in the economic Ministries of Commerce and Industry and Agriculture. Mr. David Smith, formerly Minister of Finance and one of the 20 Rhodesian Front MPs in the new Parliament, is to serve as Minister of Commerce and Industry, while Mr. Dennis Norman, president of the powerful white-dominated Commercial Farmers' Bureau, is to take the agriculture portfolio. There was considerable surprise here that Mr. Mugabe, who submitted the list in Lord Soames, the Governor, after his formal appointment yesterday afternoon as Prime Minister, chose as Minister of Finance Mr. Enos Nkala, an outspoken veteran nationalist with no formal economic background who was in detention until the Lancaster House agreement in December. But the scope of the portfolio appears to have been reduced, since Mr. Mugabe will create a Ministry of Economic Planning and Development, expected to be headed by Dr. Bernard Chidzero, at present deputy head of the United Nations Commission on Trade and Development. Mr. Sydney Sekeramayi is to be Minister of Lands, Resettlement and Rural Development, which will control the planned massive resettlement of African peasant farmers. Mr. Edgar Tekere will have the Manpower Planning and Development portfolio, to oversee a programme of rapid Africanisation. There is also a new Ministry of the Public Service. The Independence Cabinet, which apart from Mr. Nkala's appointment contains few surprises, reflects the new Prime Minister's determination to have a broad-based "Government of Reconciliation." Mr. Joshua Nkomo, leader of the Patriotic Front, Mr. Mugabe's former partner at the Lancaster House talks and the "father of African nationalism" has, as announced earlier, been given the Home Affairs portfolio. Part of the police force will come under this potentially powerful Ministry. Its main function apparently remains the administration of the Tribal Trust Lands where the majority of the country's 7m people live. Three other relatively minor Cabinet posts have been given Continued on Back Page

## Slower rate for monetary growth

BY PETER RIDDELL, ECONOMICS CORRESPONDENT

THE RATE of monetary growth is now showing definite signs of slowing. But it is still slightly above the upper end of the official target range and the demand for bank credit from tightly-squeezed companies remains strong. The banking figures for mid-February, announced yesterday by the Bank of England, provide mixed news for the Government. Monetary growth is certainly slackening but only slowly. Sir Geoffrey Howe, the Chancellor, will almost certainly not be in a position to announce a cut in Minimum Lending Rate in his Budget a fortnight today. Most City analysts do not expect a cut before late April or May at the earliest. Indeed, recent pressures have been upward and the strains are shown by the record number of 22 banks facing penalties under the new restrictions on the expansion of their activities. The main indicator published yesterday is the banking system's eligible liabilities, a large part of their deposit base and of sterling M3, the broadly-defined money supply. This fell by nearly 0.1 per cent in £52.89bn in the month to mid-February. This is not a good guide to sterling M3 because of seasonal variations. Various other transactions, such as some lending to the discount houses and an increase in the sterling exposure of the banks, largely offset each other. Consequently, it is likely that sterling M3 rose by about 1 per cent last month. This would take the annual rate of growth since June to 12 per cent and about 10 per cent since October. A further two points needs to be added if acceptance credits are counted. This compares with an official target range of increase of 7 to 11 per cent. The target itself is due to be reviewed in the Budget. The authorities have, however, for the first time estimated the possible seasonal pattern of certificates of tax deposits. This is an interest-paying instrument mainly bought at one date during the year to be surrendered in order to pay tax bills later in the year, notably between January and March. After adjusting for this factor sterling M3 may have risen by only 1 per cent last month and the underlying rate of growth since last autumn would be well within the official range. The main expansionary influence remains bank lending to the private sector. The London Clearers estimate that their advances rose by £16m last month and all the underlying increase was accounted for by the manufacturing sector, particularly engineering. Lending to the personal sector fell. This almost certainly underestimates the total rise in bank lending by a few hundred million pounds. During the month, both because of a switch of some company borrowing from bank overdrafts into market sources and because of a rise in acceptance credit lending. While bank lending is still growing, the pressures are less than recently and mainly appear to reflect the start of the recession as companies take time to reduce their excess levels of stocks. The pressures of the corset are shown by the fact that the number of banks facing penalties rose from 14 to 22 and the amount which they have to deposit free of interest increased from £35m to £104m. Tables Page 27 Borrowing requirement Page 8

## £40m contract for GKN

BY LESLIE COLTIN IN LEIPZIG

GKN has won a £40m contract from East Germany to build the first of three forces which will produce components for a new range of trucks. The order is the largest ever for a British company in East Germany and GKN hopes to get contracts for the remaining two forges. East Germany will pay for the forge, which is to be completed by 1982, by delivering components to GKN which will be marketed throughout the world. Morgan Grenfell, the merchant bank, is to provide a loan to the East German purchasing organisation which will be backed by the Export Credits Guarantee Department. GKN apparently won the deal over original competition from Citroen because of its superior technology. Negotiations are under way between Indostrian-lagen Import of East Germany and GKN on other projects such as a foundry which would be worth more than £10m. World Trade News, Page 6

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## EUROPEAN NEWS

William Dullforce, recently in Reykjavik, reports on a modern saga in an old Norse colony

## Revenge, betrayal, eloquence and a Government in Iceland

A POLITICAL DRAMA worthy of the old Norse sagas was played out in Iceland last month. It had a revenge theme, imputations of betrayal, and a sudden reversal of fortune brought about by an extraordinarily eloquent appeal to the people.

There were also more modern touches to the formation of Iceland's new Government. A principal role was played by a former professional footballer whose name once resounded from the Glasgow Rangers and Arsenal terraces. The economic context was an inflation which last year produced a 61 per cent jump in Iceland's consumer prices.

The main protagonist was the new Prime Minister, Mr. Gunnar Thoroddsen, a youthful 69, of imposing stature and with a family background which would have delighted the saga narrators, who attached great importance to their heroes' genealogies.

As for Mr Thoroddsen's personal background, his political career started in the early 1930s. He has been a law professor, the mayor of Reykjavik for 12 years, an ambassador, a supreme court judge and a member of two Cabinets. But he has not been Prime Minister before, and he was unexpectedly defeated in the last presidential election, a defeat which he blamed on lack of support from his own party.

To become Prime Minister on this occasion, Mr.

Thoroddsen has split the Independence Party. He has taken three Independent MPs with him into a coalition with the left-wing People's Alliance and the Centrist Progressive Party, as well as another Independent who won his seat in the December general election without party support.

The Independence Party, of which Mr. Thoroddsen is vice-chairman, has been the dominating political force in Iceland since independence from Denmark after the last war. It was out of government for only two years up to 1970, but has since twice been relegated to opposition.

Western Governments have regarded it as the principal guarantor of Iceland's participation in the North Atlantic Treaty Organisation (NATO), and of the air base the U.S. Navy runs at Keflavik.

The party's present leader is Mr. Geir Hallgrímsson, 15 years younger than Mr. Thoroddsen and Prime Minister between 1974 and 1978. The difference in personalities could scarcely be greater, and they have little respect for each other. Mr. Hallgrímsson is a hard-working, dependable administrator, who has limited popular appeal but has so far held the confidence of the business establishment.

Mr. Thoroddsen possesses a larger presence, the gift of language, and a shrewd political mind. His opponents within the party depict him as an un-

reliable opportunist, who performs poorly in office.

The scene for the recent political drama was set by the December general election, in which the Independence Party was expected to make enough gains to return it to government, probably in coalition with the Social Democrats. It obtained only one new seat, the Social Democrats lost four, and the two parties fell one seat short of the 32 they needed to ensure a majority in both houses of the Althing (parliament).

In the next two months the leaders of the four parties took turns at trying to piece together majority coalitions, but the deadlock persisted into February. By this time Mr. Thoroddsen was making his own soundings with the Progressives and the People's Alliance without informing his leader. Having reached agreement on an economic programme, Mr. Thoroddsen presented his proposed Cabinet to the Independence Party parliamentary group.

He was overwhelmingly rejected. At this stage, Mr. Hallgrímsson and his supporters were still confident that Mr. Thoroddsen could not muster enough rebels within the parliamentary group. They left the meeting convinced that the aspiring Prime Minister had been firmly put in his place.

That same evening, Mr. Thoroddsen spoke for 10



Members of the same party but far apart: Prime Minister Gunnar Thoroddsen (right) and Mr. Geir Hallgrímsson, the former Premier



minutes during an Icelandic radio news cast. It was a bravura performance, acknowledged by even his bitterest opponents as the finest lesson in political persuasion most of them had heard. An hour later, Mr. Thoroddsen walked into the Reykjavik television studios and repeated the performance.

The next morning Mr. Albert Guðmundsson, an Independence Party MP, informed Mr. Hallgrímsson he would not vote against a Government formed

by Mr. Thoroddsen. That in itself was enough to deprive the opposition of the power to bring Mr. Thoroddsen down. Mr. Guðmundsson once played football for Glasgow Rangers and Arsenal before reaching the climax of his professional career in France, where he played for Nantes, Racing Club de Paris and Nice. He is now a well-to-do businessman who has successfully developed his French connections. Like Mr. Thoroddsen, Mr. Guðmundsson has been

something of an outsider within the Independence Party, not fully accepted by the inner core. He is a candidate in the Presidential election this spring.

Mr. Thoroddsen's coup has profoundly shaken the Independence Party. The political career of its leader, Mr. Hallgrímsson, is at stake. Some party members are urging a clean sweep at the top and the election of an entirely new leadership.

Against the charge of betrayal, the Prime Minister argues that the leadership was out of touch with voters, who wanted it to join a majority government. He refers to the latest opinion polls giving him substantial popular backing. He expresses a wish to keep the party together, but at the same time insists a new leader must be found.

Iceland's foreign policy is unlikely to be affected by the division of the Independence Party and the shape of the new coalition. Mr. Ólafur Jóhannesson (Progressive), former Prime Minister, occupies the Foreign Ministry. In a recent interview, he gave his personal guarantee there would be no change in policy towards the Atlantic alliance and the air base. Mr. Thoroddsen has given similar assurances, while the anti-NATO People's Alliance is apparently content to let the issue of the air base rest for the time being.

Greater uncertainty centres on the stability of Mr. Thoroddsen's Government and even

more on its ability to deal with Iceland's economic problems. Inflation. Last year's cost-of-living index climbed 61 per cent, the building materials index put on 84 per cent, and the money supply (M3) rose by 56 per cent. The previous coalition Government failed completely to turn the tide.

The election result also raises a doubt as to whether Icelanders are prepared to accept tough anti-inflation measures. The Independence Party, campaigning on a Thatcher-style platform to bring down prices, its relative failure can be interpreted as a rejection of shock tactics by voters, who may have become inured to inflation made self-generating by indexation.

The approach of Mr. Thoroddsen's coalition is more measured, aiming to reduce inflation to reasonable levels in 1982. It may be helped initially by the normal business cycle, as over the next few months the Icelandic economy appears to be heading for a quieter period, and the unions may just agree to wage restraint in return for "social reforms." The danger is that the coalition parties will be unable to put sufficient curbs on public spending.

On the other hand, after the drama of the coalition's formation, Mr. Thoroddsen and his partners have one binding political interest: they have to make this Government work.

## Concern in Norway over price upsurge

By Fay Gjester in Oslo

A STEEP rise in Norwegian consumer prices during January and February is worrying the Labour Government and its trade union supporters. The increase, which followed the ending on December 31 of a 15-month price and incomes freeze, has been sharper than either government or unions expected.

The trade union congress, which is involved in spring wage talks with the employers' federation, says it may seek some kind of government guarantee on curbing inflation, so that pay increases will not be cancelled out immediately by higher prices.

The consumer price index for mid-February, published this week, showed a rise from mid-January of 1.3 per cent, and a year-on-year rise of 7.4 per cent. This followed a rise from mid-December to mid-January of 1.4 per cent. Three-quarters of the February increase, however, reflected higher import prices, particularly for precious metals and oil. The upsurge in gold and silver prices alone accounted for half of it.

Mr. Sissel Renbeck, the Consumer Affairs Minister, says that the Government still has "satisfactory control" over domestic price increases. These remain subject to a considerable degree of regulation despite the ending of the freeze.

Pressure on domestic prices is growing, though, as various trade and business groups seek compensation for rising costs. The Norwegian Retailers' Association has called for an end to the curbs on retail trade margins introduced nearly three years ago, and taxi-owners want to raise fares to compensate for higher fuel costs.

Oil companies have been allowed to put up retail prices four times this year, but are pressing for further rises. They claim they are still losing money on oil product sales.

Meanwhile, some groups of workers have not been willing to await the outcome of the spring wage bargaining, and have gone on strike in support of claims for immediate local pay rises. An official bus drivers' stoppage in Oslo is now in its third week, despite a Labour Court ruling last week that it is illegal and despite TUC appeals to the drivers to return to work.

In Norway's well-regulated labour market, workers normally resume working, however reluctantly, once the Labour Court has ruled an action illegal. The bus companies are threatening to sue the drivers for damages and have urged the Transport Workers Union to expel the strike leaders. For the time being, the government is refusing to intervene, though the dispute affects an estimated 100,000 commuters and schoolchildren.

Other unofficial stoppages affect plumbers in Oslo and railway maintenance workers.

## Oil tender restricted

By Our Oslo Correspondent

ONLY NORWEGIAN concerns have been invited to tender for an important contract concerning Statoil-A, the first production platform on the Anglo-Norwegian Statoil field. Statoil, the state oil company, said invitations to tender for platform maintenance had gone to Aker-Norve, Terotech, and Oil Industry Services, all Norwegian-owned.

Statoil, which has a stake of nearly 50 per cent in the group developing the field, could not put a figure on the contract's value, but said it was "very substantial."

## UK takes new look at East Europe

By Anthony Robinson, East Europe Correspondent

TOP LEVEL British ministerial visits to Eastern Europe have been rare, but the ground has been laid for a new series of visits to West Germany, France and Italy to forge the closest political and economic links with the Soviet Union's increasingly restive and nationalistic Warsaw Pact allies.

In the aftermath of the Soviet invasion of Afghanistan, however, the UK Government appears to be reconsidering the areas' importance. Thus week alone sees two ministerial visits: that of Mr. Cecil Parkinson, the Trade Minister, to East Germany and, starting today, the three day visit of Lord Carrington, the Foreign Secretary, to Romania.

## Serious commitment

British businessmen have complained for years about the seeming reluctance of Ministers to back up their efforts by making the kind of high ranking visits which are appreciated by a host country as proof of a serious commitment to the market concerned.

They also suspect that the relatively low level of UK trade with Comecon—exports of £1,355m last year—has tempted the British Government to take a harder line on the Soviet invasion of Afghanistan than other West European countries more closely tied to long-term energy supply and co-operation and trade agreements.

In his context the visit of Mr. Parkinson to East Germany is especially significant. East Germany, after all, is one of the most ideologically rigid of the Comecon countries. It fully and automatically backs up the Soviet Union's global foreign policy initiatives both directly through the supply of military aid and security advisers to Africa, and indirectly through its votes in the UN and other bodies. Alongside Czechoslovakia and Bulgaria it has given the strongest support to the Soviet Union's over-assertions.

As such it would seem an ideal candidate for the kind of "cold-shoulder" tactics which the British Government has decided is its most appropriate policy towards the Soviet Union and its closest allies at this time.

## Exaggerated fears

The presence of Mr. Parkinson at the Leipzig Fair has reassured businessmen that their worst fears of losing out on contracts as a result of Government policies have been exaggerated. At the same time, however, the desire of the East German Government to promote a business-as-usual atmosphere also reflects the anxiety of East European Governments to maintain their access to Western technology and trade.

This desire is fully backed by the Soviet Union which is banking on being able to import sophisticated products incorporating Western technology from its East European allies both to strengthen inter-Comecon trade links and compensate for any difficulties it might find in its own direct trade with the West.

While Mr. Parkinson's visit reflects the desire to maintain good commercial relations, despite the strong political condemnation of the Soviet Union and the desire to raise the cost of military adventurism, Lord Carrington's trip is designed to demonstrate support for Romania's independent foreign policy in general and its criticism of the Afghanistan invasion in particular.

## Gromyko protest

His visit is the first by a British Foreign Secretary to Eastern Europe since the then Mr. Michael Stewart went to Bucharest in September 1968, one month after the Warsaw Pact invasion of Czechoslovakia which Romania also strongly criticised.

Along with Warsaw Pact members, Romania refused to support the Soviet Union in January's UN General Assembly debate on Afghanistan. Shortly afterwards Mr. Andrei Gromyko, the Soviet Foreign Minister, flew to Bucharest to protest against this latest Romanian example of lese majeste.

According to leaks from Bucharest, President Nicolae Ceausescu was given a blunt warning to stop embarrassing the Soviet Union and refrain from giving any political, diplomatic or other assistance to any country with the Soviet Union, and to co-ordinate its international actions with those of the "Socialist community."

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**Government Fuel Consumption Figures**  
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## Deficit may lead Bonn to borrow abroad

BY JONATHAN CARR IN BONN

WEST GERMANY'S Government may emerge as a borrower of foreign funds, in particular from the oil exporting countries, as a result of the country's plunge into current account deficit. The object would not be simply to help the Government cover its budget deficit but to boost an inflow of foreign capital and thus support the Deutsche Mark.

This policy would represent a reversal of the West German policy until relatively recently, they have been more accustomed to wondering how best to discourage unwanted capital inflows which might disturb the Bundesbank's money supply targets and increase inflation.

When the Federal Government moved in 1974 to borrow abroad through issues of promissory notes, the Bundesbank objected and the scheme was quickly dropped. Now there is reason to believe that the Bundesbank may be more inclined to support such a plan.

While West Germany had a big current account surplus in 1974, it is now facing a deficit this year—caused in particular by a bigger oil import bill—which could be more than DM 20bn (£5bn). The Deutsche

Mark has tended to fall even in nominal terms against most other currencies this year and the latest rise in domestic interest rates has failed to change the picture markedly.

The dilemma was set out in detail in an article yesterday in the economics newspaper Handelsblatt by Dr. Johannes Voelling, chairman of the Westdeutsche Landesbank, one of the country's biggest banks. His analysis is known to be close to that of senior monetary officials in Bonn.

Dr. Voelling said the current account deficit meant West Germany was faced with the choice either of dipping deeply into its currency reserves or of encouraging foreign capital imports. The former option should only be used with caution since it implied the country was artificially postponing an essential process of economic adjustment forced on it from abroad.

If neither option were taken, Dr. Voelling said, the result would be further strong Deutsche Mark devaluation. This was the worst of all courses since it meant more imported inflation and a further worsening of the terms of trade.

## Spanish trade resurgence offset by rising fuel costs

BY OUR MADRID CORRESPONDENT

THE SPANISH Ministry of Commerce warned yesterday that the trade gap would widen this year with oil import costs expected to increase nearly 100 per cent over the 1979 bill. But officials also predicted a further growth in exports, which had shown an encouraging trend in the closing months of last year.

The 1979 trade figures showed a deficit of Pta 482,58 bn (£322 bn) an increase of 12.3 per cent on the 1978 shortfall of Pta 429,94 bn. Exports covered 71.7 per cent of imports.

The December figures showed a deficit of Pta 39,98 bn, which was down from the Pta 51,73 bn shortfall the previous month and continued a trend which began last October, the officials

reported. The coverage for December levelled at an "acceptable" 77.6 per cent, with exports standing at Pta 138,74 bn and imports at Pta 178,72 bn. The volume of trade in December was a record.

A Ministry official said the improved December trade result, together with a narrowing of the inflation gap against that of other industrial countries, permitted certain hopes for the coming year. But he said that an increase in the deficit was inevitable in 1980 when the Ministry expected fuel import costs to almost double to represent close to 35 per cent of total imports against 28.5 per cent in 1979.

## New rise in Swiss interest rates likely

By David Marsh in Basle

MAJOR SWISS banks are expected to raise interest rates on fixed deposits by about 1 percentage point in the wake of Monday's moves by the Swiss national bank to encourage inflows into the Swiss franc.

This would represent a further round of monetary tightening in Switzerland. Interest rates have already risen sharply in the past few months, as a result of rising inflation and the weakening Swiss franc.

The banks are negotiating among themselves on increases which could take interest rates on three-to-12 months' deposits to a uniform 6 per cent. Current rates are 5 1/2 per cent for three-to-five months money, 5 1/2 per cent for six-to-11 months, and 5 1/2 per cent for 12 months.

Details have not yet been settled, but an announcement on the new rates may be made today. A rise in deposit rates has become necessary following Monday's measures to free deposits of over three months' maturity from the ban on interest payments.

This means that Swiss banks are now in direct competition for fairly short-term funds with banks on the Euro market which are already offering interest rates of around 6 per cent for Swiss franc deposits.

John Wicks adds: Increased dollar sales by the Swiss national bank in the first 10 days of this month have led to a marked reduction in the bank's foreign currency reserves. The national bank, which also repaid a number of short-term domestic currency swaps arranged at the end of February, booked a drop of SwFr 2,11bn (£730m) to SwFr 19,33bn (£5bn) over the 10-day period ended March 10. This is the lowest level recorded since October, 1978, and follows large national bank intervention to support the flagging Swiss franc.

Swiss industry is fairly optimistic on business prospects for the next few months, according to the Swiss Trade and Industry Association, the employers' organisation, Reuter reports.

A survey, completed at the end of February, showed incoming orders in many sectors of the economy last year were higher than in 1978. Orders in hand at the end of 1979 were also mostly above the level a year earlier, the association said.

## Belgium bans language war marches

BY MARGARET VAN HATTEN IN BRUSSELS

THE BELGIAN Government yesterday banned all public marches and political demonstrations in the troublesome Flanders district near Liège.

The move follows violent demonstrations last weekend when Flemish nationalists from many parts of the country marched through the area, formerly part of French-speaking Wallonia but now officially included in Flanders.

Two people were reported injured in a shooting incident when Walloon counter-demonstrators rounded on Flemish marchers.

Previous clashes between

Wallons, who want the district re-incorporated in Wallonia, and Flemings led the Government to ban demonstrations, but marches were still permitted. Increasing violence, provoked by repeated Flemish marches through the area, has forced the tighter Government restrictions.

The main francophone political parties are planning to press the Government to disband what they consider to be private armies, including extremist right-wing groups.

The Flanders trouble is part of the wider "language war"

which finally caused Mr. Leo Tindemans, the former Prime Minister, to resign, and has been a constant problem for Mr. Wilfried Martens, his successor.

Despite a truce last autumn, when the Government finally enacted a watered-down version of its plans for regional devolution, the issue continues to divert the Government from its attempts to deal with Belgium's pressing economic problems.

The tense atmosphere in Brussels after last weekend's violence has provoked speculation that an abortive

attempt to kidnap Mr. Tindemans was politically motivated. But two men arrested later were alleged to have admitted responsibility, and to have said they were interested only in a ransom.

More demonstrations occurred in Brussels yesterday when several hundred farmers took to the streets to demand a 7.5 per cent rise in farm prices. Commission proposals for a 2.4 per cent increase, they said, would force them off the land.

Mr. Tindemans: Attempt to kidnap him foiled.



## Financial disclosure measures before European Parliament

BY JOHN WYLES IN STRASBOURG

MOVES TO harmonise the regulations of EEC stock exchanges were expected to take a modest step forward here last night, with approval by the European Parliament of a proposal that would require quoted companies to publish half yearly reports.

After securing Parliament's backing, the European Commission, later in the year, will put before the Council of Ministers proposals for minimum reporting standards. These would, none the less, leave the European investor in a state of relative ignorance by comparison with his U.S. counterpart.

The Commission, it is understood, would have liked to have been more ambitious and officials point out that a govern-

ment wishing to impose more stringent reporting requirements on listed companies would have the full backing of Brussels.

As it is, they believe it will be a considerable achievement to pilot through the Council this year a directive which would require the publication of half yearly reports consisting of figures and an "explanatory statement" on the reporting period.

● show figures including "at least" net turnover, other operating income, operating charges, gross operating results and interim dividends (if any) paid or proposed;

● require that the information be accompanied by equivalent figures for the previous year so

that "investors can make an informed appraisal of the company's business."

Companies would also be required to give information and supporting figures on the number of people employed, investment decisions, state of order book, capacity utilisation, stocks, and new products and activities significantly affecting turnover.

The Commission's long-term strategy remains the creation of conditions for electronic linkage and trading between EEC stock markets in commonly listed stocks.

However, this is still a very distant prospect because of wide variation in the practices and capital formation importance of EEC stock markets.

## MPs call for fewer curbs on trade and competition

BY JOHN WYLES IN STRASBOURG

THE EUROPEAN Parliament yesterday joined the EEC Commission in demanding fewer restrictions on trade and competition within the Community.

This was despite previous calls from members for increased aid to deprived regions.

The Parliament adopted a report on competition policy broadly endorsing conclusions already reached by the Commission. The effect is to add to the significant body of opinion in the Community which opposes any measure that would maintain unfair national aids to industry or the development of trade protection.

MPs have exhibited a generally liberal, free market view on competition in spite of the fact that this could mean the removal of national aids which tend to create unfair

competition between one region and another in attracting industry.

The report, produced by the Economic and Monetary Affairs Committee, covered much the same ground as the Commission's own report on competition policy of May, 1979. It calls for strong central direction from Brussels and it wants the Community's nine member states to reinforce and co-ordinate their national competition policies.

Areas which the committee felt needed urgent attention include state contracts, tax evasion, help for small and medium-sized companies in standing up to monopolies, sectoral aid (as in the iron and steel industry) and transfer prices between the subsidiaries of multinationals.

## 25 arrested in Padua as hunt continues for Moro killers

BY RUPERT CORNWELL IN ROME

ITALIAN magistrates investigating the kidnapping and murder of Signor Aldo Moro, the former Prime Minister, two years ago, arrested 25 people yesterday in another major swoop in the violence-ridden university city of Padua.

The round-up, details of which were still not clear last night, took place at dawn. Charges against those detained are understood to include possession of explosives and the anti-terrorist catchall accusation of "participation in an armed band."

This latest anti-terrorist

operation is one of the largest in Padua since last April when Sig. Toni Negri, a political science professor, was among those arrested. Professor Negri was in effect accused of being not only the ideological main-spring behind the far-left "Workers Autonomy Movement" (Autonomia Operaia Organizzata) but also the prime mover behind the Red Brigades themselves, responsible for the Moro episode.

Those detained yesterday are accused of having been responsible for various terrorist acts in Padua and the Veneto region

over the past five years, and at least one is understood to be wanted for questioning by Rome magistrates conducting the Moro inquiries.

Despite this new move by the authorities, progress towards uncovering the truth behind the Moro affair remains painfully slow. More than 11 months after his arrest, Sig. Negri remains in prison with nothing but the most general of charges formally levelled against him.

Meanwhile political bickering has resulted in a virtual dissolution of the special parliamentary committee established to look

into the affair, just a few weeks after it had begun work.

● The Italian Parliament was due last night to start an urgent debate on a draft Bill which will place air traffic controllers under civilian status, as chaos continued to mount in the country's airports.

The controllers, who have been working to rule for six days, want freedom from military jurisdiction and claim that no real progress has been made on official promises to act on their demands.

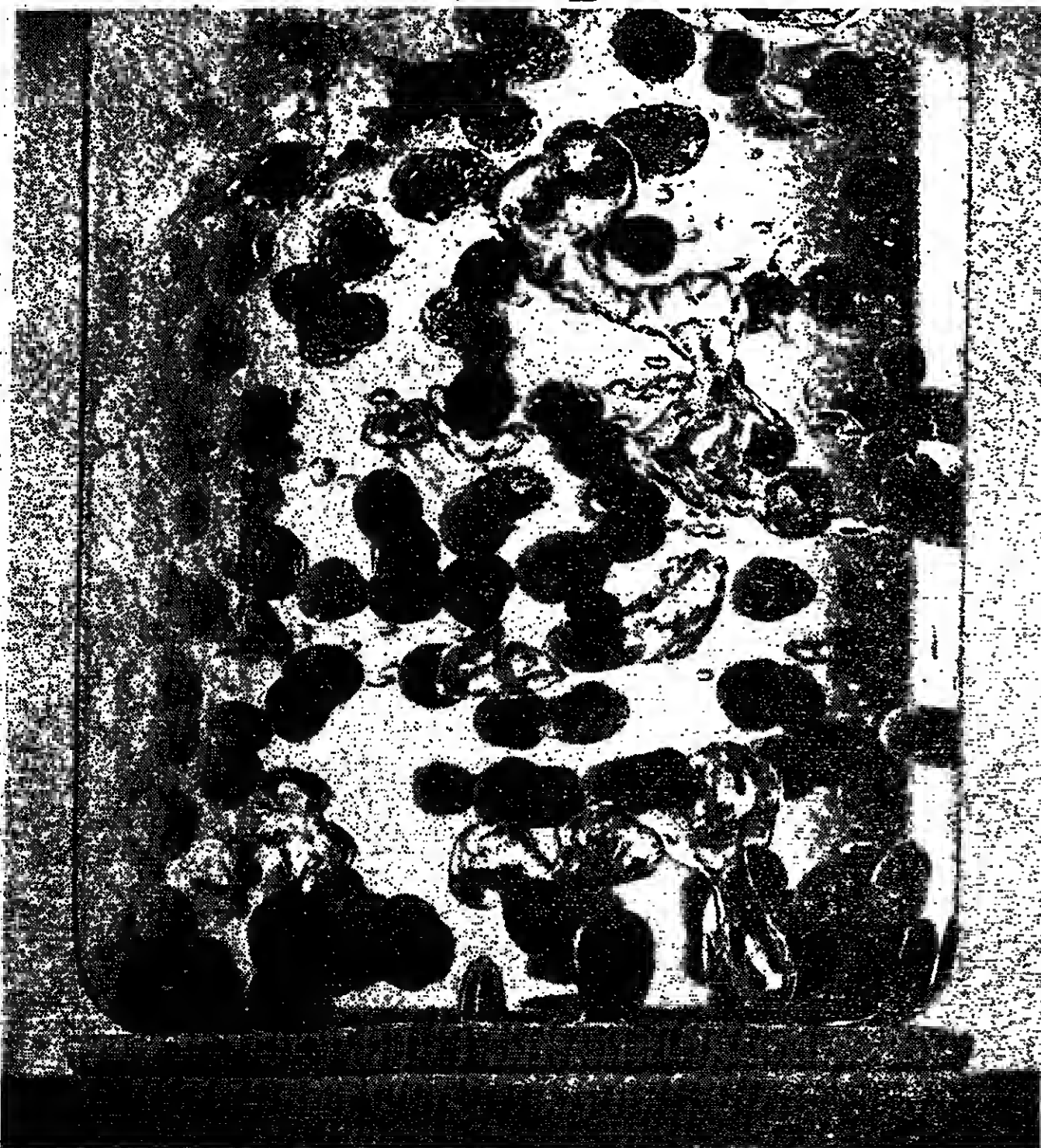
Their work to rule has led to widespread flight delays and

cancellations.

The atmosphere has become more tense with the instigation by the military authorities of proceedings against the leaders of the work-to-rule, illegal under the existing statute which the controllers are seeking to change.

Last autumn a potentially devastating total strike by the controllers was only averted by the personal intervention of President Sandro Pertini. Since then the Government has managed to prepare a draft Bill, but until now Parliament has not got around to examining it.

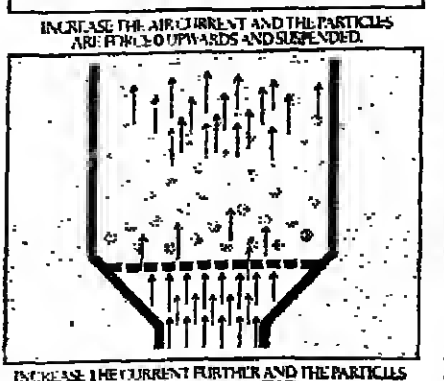
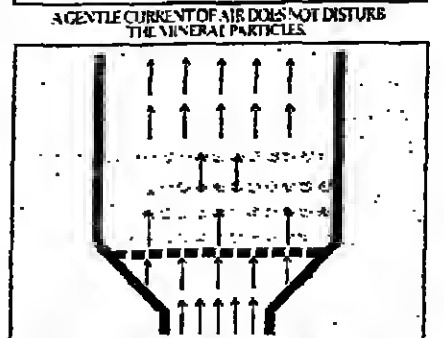
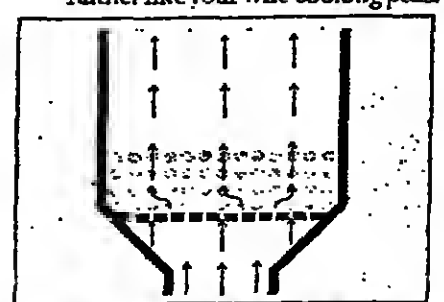
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## OVERSEAS NEWS

## Surge in Japan's wholesale prices

BY RICHARD C. HANSON IN TOKYO

THE RATE of increase in Japan's wholesale prices last month was a six-year record, prompting speculation that the Bank of Japan will decide on another big rise in the official discount rate within the next few days.

The February wholesale price index leaped 2.6 per cent from January (when the index rose 2.1 per cent). The increase was the biggest since a 3.8 per cent rise in February, 1974, during the first oil crisis. At 127.3, the index was 21.4 per cent higher than a year earlier (1975 equals 100).

The government expects that wholesale prices, which have already begun to be reflected in earnest at the consumer level, will continue to climb over the next two months, as oil and other commodity price rises show up in the economy.

While Mr. Haruo Maekawa, Governor of the Bank of Japan,

is still in Switzerland conferring with fellow-central bankers, the Japanese Press is carrying reports that the discount rate could be raised by about 1.5 per cent as early as the end of this week.

Aside from the latest price reports, concern is growing over the effect that further anti-inflationary steps in the U.S. could have on the value of the yen. It is generally expected that U.S. interest rates will go up again, jeopardising the Japanese Government's plan to defend the yen against further depreciation.

The Japanese press is speculating that, in addition to the measures announced last week as part of the yen defence package, the Finance Ministry will impose restrictions on outflows of company capital into dollar deposits and U.S. Treasury Bills. These outflows are believed to have risen sharply in recent weeks.

The purpose of last week's measures was to encourage the inflow of capital through liberalisation of certain barriers. The authorities generally seem to have concluded that liberalisation is more effective than restriction in supporting the yen.

Japan last raised the official discount rate on February 19, by 1 per cent, to 7.25 per cent. This was the fourth increase in 12 months. Economists now expect Japan will increase the rate to 9 per cent or more, to slow the still buoyant economy and perhaps restore some order to the panicky bond market.

The Government is preparing a series of anti-inflation measures to be implemented later this month when a final decision on electricity rate increases is reached.

Reuter adds Japan intends to resist U.S. pressure for it to increase its defence spending substantially, following the

Soviet invasion of Afghanistan. Mr. Masayoshi Ohira, Japan's Prime Minister, and his senior Cabinet Ministers, made clear yesterday.

Japanese Ministries have recently hinted that the Government thinks it would be difficult to raise defence spending by 11 per cent as the Americans apparently want.

But yesterday Mr. Ohira, Mr. Saburo Okita, his Foreign Minister, and Mr. Kiichiro Hosoda, Defence Minister, underlined publicly that Japan has no programme for drastic changes in its defence spending plans.

The U.S. had asked Japan to enhance its fighting ability, but Japan had to live "within its own circumstances" and would act accordingly, Mr. Ohira told Parliament. Japan should try to modernise its defence forces and not just talk about defence spending, he added.



Mr. Gerald Bouey

## Canada opts for floating bank rate

By Our Toronto Correspondent

THE BANK of Canada has opted out of visibly setting interest rates by moving for the second time in its history to a floating bank rate.

The central bank hopes that allowing its key rate to float will support the Canadian dollar and keep interest rates in line with rising U.S. ones.

In the past two months the U.S. prime lending rate at commercial banks has risen by almost 3 percentage points to 17 1/2 per cent while the Canadian prime rate has remained at 15 per cent.

The new system, which will come into effect tomorrow, will establish the bank rate—currently 14 per cent—at one-quarter of a percentage point above the interest yield on 91-day federal Government Treasury Bills.

According to Mr. Gerald Bouey, Governor of the central bank, the system will reduce the institution's influence on interest rates in the country because it will continue to manipulate them by buying and selling bonds and short-term securities.

Adjustments The most obvious effect of the action will be to make weekly rather than irregular adjustments to the bank rate. Last week's yield in 91-day Treasury bills was 13.68 per cent. If this week's tender results in the same rate it would translate into a bank rate of 13.93 per cent. But with interest rates rising internationally, Canadian short-term rates are expected to rise as well, pushing up the bank rate in the coming weeks.

Opposition critics said the move appeared designed to remove the bank rate from the economic spotlight and help the new Liberal Government avoid responsibility for high interest rates.

Anticipation of a large increase in interest rates triggered a record slump on the Toronto Stock Exchange on Monday, when the composite index closed down 71.17 at 1,974.59.

## U.S. moderates its anger over Tehran hostages

BY DAVID BUCHAN IN WASHINGTON

"WE HOPE that this fairy-tale Government in Iran will come to its senses," said Senator Claiborne Pell after he and other congressional leaders had been briefed by President Carter on the latest dashing of American hopes that the 50 U.S. hostages could soon leave Tehran.

This hang-on-and-hope attitude appears to reflect the Administration's more measured second thoughts on the latest twist of events, after officials had at first exploded angrily at the Ayatollah Khomeini's blocking of the United Nations commission's work in Tehran. They accused the Ayatollah of reneging on an agreement that the UN panel should at least see and check on the well-being of all of the hostages, before writing its report on Iran.

## Mandate

The five-man UN team has now left Tehran, its report now written, for further consultations in New York with Dr. Kurt Waldheim, the UN Secretary General, with the faint possibility that it might go back. The UN was always a fairly weak need for this affair, and for the time being it has snapped. But the White House made clear that it is the only extant hope for a negotiated settlement, saying in a statement on Monday night: "We understand (the UN mission) is prepared to return to Tehran in accordance with its mandate and the instructions of the Secretary General when the situation requires."

Military action against Iran, threatened regularly in the earlier days of the 150-day long crisis, is firmly ruled out. No one in Washington believes that it would place the hostages in less danger than they are in already. The U.S. now has substantial naval forces, with two aircraft carriers, in the Indian Ocean and Arabian Sea. But that is in response to the Soviet threat in the wake of the invasion of Afghanistan. There at least is no talk of using it to blockade Iran.

The White House has kept in very close touch with Dr. Waldheim throughout this crisis, and was evidently reassured by the Secretary General's statement this week that the UN tribunal would not write its report on Tehran's allegations against the ex-Shah and on past U.S. involvement in Iran while the fate of the hostages remains so uncertain. This provides a lever of pressure on the Iranian authorities, who want the report as a mark of international legitimacy for their revolution. There also is an inclination in Washington to let the power struggle in Tehran run its course through the forthcoming parliamentary elections (the first round takes place on Friday) in the hope that eventually the "forces of moderation"—President Abol Hassan Bani-Sadr, and the foreign minister, Mr. Sadeq Qotzadeh, will triumph over the militants. That hope of course is slender, now that the Ayatollah Khomeini appears to have thrown his support to the latter.

## Acquiesced

U.S. officials angrily point out the irony that it was originally the Iranians who demanded that the UN panel should see the hostages—a demand that the U.S. acquiesced in provided there was to be no interrogation of the Americans and that it simply was to be a means of checking that all the hostages were safe and sound. Mr. Cyrus Vance, the Secretary of State, in fact gave the UN lawyers a personal file on each of the 50 hostages, when they left for Tehran on February 23.

While there was a written agreement from Iran that the UN team could have access to the hostages, there never was anything concrete agreed on their release. Dr. Waldheim reflected this dangerous vagueness when last month he described the UN mission as "a fact-finding mission to bear



Dr. Kurt Waldheim... patience of Job

Iran's grievances and to allow for an early solution of the crisis between Iran and the U.S."

The hope in New York and Washington was that the Iranians would be enabled to let off steam about the Shah, and the U.S. in the UN tribunal, and so serve Iran in climbing down and freeing the hostages.

Dr. Waldheim has displayed the patience of Job and is clearly willing to plug on, trying to bridge the perhaps unbridgeable gap between Iran and the U.S. in the case of the hostages. But that is what he is paid for, and he does not face lackluster frustration, as in an election this year, as President Jimmy Carter does.

The American President has won considerable respect, at home and abroad, for his level-headed conduct in the Iranian crisis so far. But he has recently been accused of inept vacillation in another foreign policy area—the U.S. vote in the UN against Israel's settlement policy, and his back-handed retraction of it as an "error." It has also not gone unnoticed that Mr. Carter has had to modify his stand in the Iranian crisis since last November, when he declared the U.S. would not accept any UN inquiry, until the Americans in Tehran were freed.

## Danger

At the turn of the year, this was modified to a proposed simultaneous setting up of a UN inquiry, and freeing of the hostages, and then last month, to the release of the hostages following the UN inquiry.

Mr. Carter had wider geopolitical reasons for modifying his stand, and these in Washington's view still hold good. Since the Soviet invasion of Afghanistan, the Administration has sought to convince Iran that the real and long-term danger to its security comes from Soviet military forces, now on two of Iran's borders, in the southern Soviet Union and in Afghanistan. Mr. Carter proffered the olive branch of a new relationship with Iran, possibly including aid.

For the moment, too, President Carter has the domestic elbow room to pursue his course on Iran, though public opinion may require a gesture such as formal sanctions against Iran. Stunned by the puncturing of the latest hopes for an end to the deadlock, few of Mr. Carter's political rivals have had any alternative to suggest.

## Slow pace at Namibia discussions

By Quentin Peel in Johannesburg

PROGRESS TOWARDS an international settlement of the guerrilla war in Namibia (South West Africa), on the lines of the Rhodesian settlement, has become bogged down because of South African fears of a similar outcome.

Five days of talks in Cape Town last week between South African and UN officials failed to produce any visible progress towards implementation of a ceasefire agreement and UN-supervised elections.

Instead, South Africa has agreed to consider an exhaustive UN explanation of how a demilitarised zone along Namibia's northern border would work and to reply on whether it is acceptable.

South Africans admit that after Mr. Robert Mugabe's victory in the Rhodesian election, the prospects of a victory by the South West Africa People's Organisation (SWAPO), the nationalist movement fighting the guerrilla war in Namibia, must be assessed more realistically.

The UN team which conducted the talks must now report to the front-line black African states most affected, Angola, Zambia and Botswana. A senior UN official said before leaving that there was a feeling in the international community "that there should now be some progress."

Western diplomats in Cape Town, who were instrumental in launching the initiative, hope that the African bloc at the UN will be sympathetic towards the South African desire for more time to see how the Rhodesian result works out.

However there is a lingering suspicion that Pretoria is merely seeking more time to establish the South African-backed Democratic Turnhalle Alliance as a viable alternative to SWAPO.

## Treurnicht appeals for unity

By Our Johannesburg Correspondent

A POSSIBLE SPLIT in South Africa's ruling National Party over the cautious racial reforms proposed by Mr. P. W. Botha, the Prime Minister, appeared to have been averted yesterday.

Dr. Andries Treurnicht, the ideological leader of the party's hard-line conservatives, backed down in a confrontation with Mr. Botha over whether a mixed race should play in a schools' rugby festival and issued an appeal for party unity.

Dr. Treurnicht is, in effect, the second most powerful man in the party as leader of the Transvaal provincial wing. His appeal came after a Cabinet meeting and urgent peace making efforts by fellow Ministers.

Mr. Botha is expected to insist on a vote of confidence from the parliamentary party today.



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## Extremist threat to Assad regime

BY OUR FOREIGN STAFF

PRESIDENT Hafez al-Assad's regime in Syria is confronted with what is believed to be its biggest challenge since coming to power in 1970.

The gravity of the situation became clear yesterday with the receipt of information from diplomats and travellers from Syria about large-scale riots last Tuesday and Wednesday in Aleppo and Hama. The curfew imposed by the authorities was only lifted on Sunday.

Troops are reported to have been rushed to Hama in the centre of the country and Aleppo in the North to quell the riots.

Serious damage was caused to public buildings including the offices of Syrian Arab Airlines and Aeroflot. There is no reliable information about casualties.

The dissidents, believed to be members of the fundamentalist Muslim Brotherhood of the mainstream Sunni sect of Islam, had called for a general strike against the regime of President Hafez al-Assad. Fighting involving the use of heavy machine-guns and rocket propelled grenades erupted when security men attempted to prevent shopkeepers opening their stores.

The extent of the protest against the regime whose leadership comes mainly from the minority Alawite sect appears to reflect far more widespread and spontaneous opposition than the outbursts of violence in Aleppo and Latakia last summer.

Leaders of the Ba'athist party are visiting Aleppo, Hama and Homs to speak to the population about "enemy plots, inside agents and how to oppose them."

The trade union movement and farmers announced earlier this week that it had been decided to form popular militias to fight the Muslim Brothers to the end.

The gravity of the situation is shown by the fact that Mr. Assad addressed these meetings. He told workers and farmers that if they needed weapons they would have them.

Mr. Assad launched a scathing attack against the U.S. on Monday, accusing the Central Intelligence Agency of being behind the enemies of his regime.

The Muslim Brotherhood has been blamed for a wave of assassinations and violence which has claimed the lives of more than 100 people during the past 16 months.

David Lennon reports from Tel Aviv: A ministerial committee of the Israeli Cabinet has approved the expropriation of 1,100 acres of privately-owned land in Arab east Jerusalem for the construction of a new Jewish suburb.

This appears to be Israel's defiant response to the recent Security Council resolution calling for the dismantlement of Jewish suburbs built in the Arab part of Jerusalem, which was annexed to Israel after the 1967 war.

## India's GNP 'likely to fall 1-2%'

By K. K. Sharma in New Delhi

INDIA'S Gross National Product is expected to have fallen by 1.2 per cent in the financial year 1979-80, Mr. R. Venkataraman, Finance Minister, confirmed in Parliament yesterday. Agricultural output would be 6 per cent lower, while industrial output would either be stagnant, or would decline.

Presenting an interim Budget which seeks approval of expenditure until July, the Finance Minister said inflation was about 20 per cent during the year. He blamed the Janata and Lok Dal Governments of the previous 33 months for this. They have allowed the economy to drift, through inaction and mismanagement, into stagnation.

Mr. Venkataraman did not indicate what programmes the present Government would undertake to tackle these problems. Policies would be announced when the final Budget was presented, and after a new planning commission had formulated the Government's Five-Year Plan. The present plan had been scrapped, since it was "inadequate" to fulfil the promises made by the ruling Congress Party in its election manifesto, he added.

Because of the "mismanagement" of the economy, the Minister estimated the budgetary deficit for 1979-80 at a record Rs27bn (£15bn), far in excess of the Rs13.5bn (£763m) provided for.

He left an uncovered gap between revenue and expenditure of Rs22.55bn. No fresh taxation was announced since only a vote on account was being sought until the final Budget, expected in June after the elections to nine State assemblies.

AP adds: Mrs. Gandhi's Government will keep radio and TV under State control, and is taking action against TV officials who punished a staff for broadcasting a pro-Gandhi programme when she was out of power.

Mr. Yashwantrao Chavan, Information Minister, announced this in Parliament yesterday, in reply to a question by Sanjay Gandhi, the son of the Prime Minister, and a member of the Lower House.

## Somare fails in confidence vote

PORT MORESBY — Mr. Michael Somare, Prime Minister of Papua New Guinea since independence five years ago, was defeated on a vote of no confidence yesterday. He immediately succeeded by Sir Julius Chan, leader of the opposition People's Progress Party.

Mr. Somare, aged 43, has been under attack recently for what critics called his autocratic style of leadership. Sir Julius said his Government would not "close the options" on development of copper and gold deposits at Ok Tedi.

Mr. Somare announced on Monday that his Government had given conditional approval for a consortium led by Australia's Broken Hill company to develop the deposits.

Philip Bewring writes: Sir Julius was Finance Minister in the first years of independence and was to a large degree responsible for conservative, hard money economic policy and for sensible commodity stabilisation schemes.

He favoured a cautious but hard-headed approach to foreign investment.

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## Saudi Arabia's Shi'ite minority troubles Riyadh

ONLY SCORCHED pavements in the market bear visible witness to recent disturbances in Qatif, the squalid centre of Saudi Arabia's Shi'ite community. Its isolation from the Eastern Province's main commercial life race to ensure that the troubles, although in the heart of Saudi Arabia's oil region, did not receive the publicity which followed the seizure and siege of the Grand Mosque in Mecca.

The Saudi Government and the Royal Family, naturally enough, made no attempt to publicise the riots; for the first open protest by members of the 400,000-strong Shi'ite community probably has graver implications for the regime than the fragmented Ikhwani (or brother) who were behind the seizure of the Grand Mosque.

For the first time in recent years, a significant number of Saudis are refusing to co-operate with the regime. Looking out at the Gulf in Iran, they feel their second-class economic and religious status need not continue. Comprising a majority of Saudis working in oil production, and settled less than 50 miles from the undefended oil terminals at Ras Tanura and Juaymah, their capacity to disrupt the country—and the economies of Western Europe—is large.

The Saudi Government is also uncomfortably aware that Qatif dissent is a mighty lever in the hands of an Iranian leadership with which the Royal Family has yet to reach even the most modest accommodation. "No doubt, Khomeini is a good Moslem," a Sunni official said in nearby Khobar, "but his revo-

lution must not be for export." The physical evidence of oil wealth recedes on the way to the Shi'ite villages of Qatif, Seihat and Safwa. Khobar's luxurious and unattended office blocks and the steel frames of new factories give way to shanties and ragged palm plantations. Isolated in towering esparto grass and miles of filthy saltmarsh, Qatif would be hard to get to even without police road blocks.

These went up on November 28, when violent riots broke out in Qatif and the smaller village of Seihat. For the first time, the leading Qatif religious doctors (the *mujtaheds*) had insisted on staging the traditional mourning procession of the Ashura, commemorating the death in battle of Ali, the Prophet's son-in-law. Shi'ites regard him as the Prophet's true successor, unlike the Sunnis, the mainstream orthodox sect of Islam.

The build-up of emotion before the procession, made doubly fierce by the news of the seizure of the Grand Mosque in Mecca and the Royal Family's apparent inability to clear it, broke into rioting when a Saudi policeman struck a demonstrator. Seventeen men were killed. On February 1, the anniversary of Ayatollah Khomeini's triumphant return to Iran from exile, a sermon in Qatif's main mosque unleashed a mob on to the market—the souk. Two banks were attacked, about 50 buses and cars and the local electricity office burned, and four people lost their lives, according to shopkeepers in the town.



The burned-out cars have been towed away and the windows of the Saudi-British Bank repaired, but the police remain. Even late last month, the souk had still not fully reopened; some shopkeepers kept their shutters down out of fear, some out of bloody-mindedness. Over the unfrequented streets, a pall of smoke from the two gas-oil separator plants of the Qatif oilfield reminds the Qatifs and visitors what the troubles were really about. To whom does all this oil belong?

Sunites in Qatif, and in the major town of Rijaf where they form a majority, now tend to talk in terms of their exclusion from the civil service and the armed forces, and the lack of schools, health care and municipal services in the villages.

Shi'ites have also profited little from the services and construction boom generated by the Arabian American Oil Company (Aramco), which lifts practically all Saudi oil, and the five-year Plan. An automatic bakery in Khobar is the sole "industry" owned by a Shi'ite.

But, in January, leaflets began appearing in the villages. They seemed to provide the first political framework for Shi'ite grievances. Echoing the tone of Tehran radio—and probably published in Tehran or Bahrain—the leaflets called on Qatifs not to co-operate with the Royal Family.

James Buchan reports on Saudi Arabia's minority Shi'ite sect in the strategic Eastern Province, the centre of the oil industry. They have the capacity to disrupt the Saudi economy and that of the West.

The Shi'ites, however, were the only readily available labour to satisfy mounting demand as Aramco expanded in the mid-1970s. They now number 16,000 of Aramco's total workforce of 87,000.

It coincided with a very gradual breakdown of the barriers between Shi'ites and Sunnis outside the company, and also with a feeling among younger Royal Family members, notably Prince Ahmed, the Deputy Interior Minister, and Prince Sattam, the Deputy Governor of Riyadh, that something had to be done.

A brilliant Qatif, Dr. Jameel Al-Jishi, was appointed director of the project to build an industrial city at Jubail, north of the villages, at a cost of \$50bn plus. He remains the only Shi'ite in a position of authority, but Qatifs have also been moving into more modest Jubail posts which otherwise could not have been filled by Saudis at all.

This very gradual approach could not survive the Iranian revolution. Some leading Iranian clerics (notably Ayatollahs Rouhani and Khalkali) singled

## Rohatyn warns on NYC finances

BY STEWART FLEMING IN NEW YORK

NEW YORK CITY'S ability to re-enter the public debt market on its own is "becoming more and more questionable in the current climate," Mr. Felix Rohatyn, chairman of the Municipal Assistance Corporation, said yesterday in a grim assessment of the outlook for the city's finances.

The corporation, which has conducted New York's borrowing since it was locked out of the bond market in the fiscal crisis of 1975, is also seeking a two-year extension of its role as the city's borrowing agent to 1984. This is partly because of the financing problems which

are re-emerging as the U.S. economy falters and inflation accelerates.

The problems facing the city are likely to be brought into sharper focus at the end of this month as wage negotiations with municipal workers move into a critical phase.

It is possible that a simmering, and as yet unsettled, commuter railroad dispute will come to a head at the same time as wage contract negotiations for municipal transit workers. Fears exist that the city's transit system could be almost paralysed.

Accelerating inflation has already made the municipal workers' wage claims look relatively modest and has reduced the city's chances of obtaining a settlement on the terms it would prefer. But the rise in interest rates and inflation have added to the city's fiscal problems.

The two years' relative fiscal tranquillity which followed approval of a Federal loan guarantee programme in 1978 was about to end, Mr. Rohatyn added.

Under the agreement the two sides will put the issues to a fact-finding commission whose recommendations can be accepted or rejected.

## Chicago fire strike ends

By Marilyn Eld in Chicago

CHICAGO'S firemen have ended their 23-day strike after their union and the city agreed on a procedure to resolve the dispute.

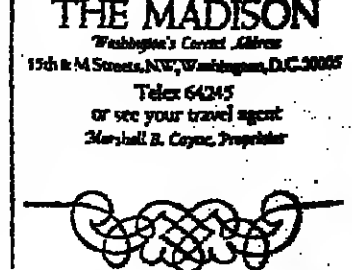
The firemen struck over what they felt was "bad faith" bargaining by the city. Mayor Jane Byrne had also refused to accept the 4,350 men the city's first contract with public employees despite her campaign promise to do so.

Under the agreement the two sides will put the issues to a fact-finding commission whose recommendations can be accepted or rejected.

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# "Thirty-fourth successive record year"

## STATEMENT BY THE CHAIRMAN, MR. A.M. HODGE To be presented at the Annual General Meeting on 18th March 1980.

**Total Funds Now £2,550m. Pensions Annual Income Up 21%.  
Revised Valuation Basis. Bonus Rates Increased.**

### LIFE ASSURANCE BUSINESS

Shortage of oil due to the troubles in the Middle East, increasing inflation and the difficulties experienced by exporters due to the relative strength of sterling have all contributed to make the past year a difficult one in the U.K. However, even with that gloomy background, the new business we have sold has for the thirty-fourth successive year been a record. When inflation remains high for a number of years successive claims for "yet another record" might be thought to have a hollow and hollow ring. Rather like Alice, after she had passed through the looking glass, the figures for new business have to run fast simply to stand still. Only where the increase in annual premium exceeds the general increase in prices can we claim to have made real progress. For example, last year's new annual premium was 10% higher than in the previous year, but the comparable increase in retail prices was virtually the same. We can therefore say merely that we have maintained our position in real terms—a credible performance in view not only of the difficulties I have already mentioned but also in view of the exceptionally large increase in new business we reported for the previous year. A week may be a long time in politics but a year is a short time in life assurance and a better idea of trends is obtained by taking a longer time span than one year. Since 1945, for example, our total funds which now amount to £2,550 million have increased, in real terms, over sixfold. This adds a more solid ring to my announcement that this is another record year. Since 1970 the new annual premiums for U.K. ordinary business have increased, in real terms, by over a third. That this is due in no small measure to the hard work and expertise of our field force is shown by the fact that this has been achieved with no increase in their number.

We continue to extend the range of policies. In October we set up a series of investment funds managed by our staff so that we could offer for sale for the first time policies linked to units in these funds. The first type of policy was a single premium Investment Bond and this, offered to the public on 29th October, has proved popular. The second, on 18th February this year, was a Capital Investment Bond by annual premiums. Policies to provide pension will follow later.

### PENSIONS BUSINESS

We would not have expected the heightened activity which occurred two years ago as a result of the Social Security Pensions Act 1975 to be continued throughout last year, but in the event I am pleased to report that in the U.K. 162 new schemes, both insured and managed funds, were started. From all schemes the total annual contributions received last year were £121 million, an increase of 21% over the previous year. This comfortably exceeds the corresponding increase in prices. Indeed over the last ten years the amounts received have increased by over 50% in real terms.

A number of the schemes on our books has arisen as a result of our membership of Insurope. Insurope is a consortium of major insurance companies in various countries, originally confined, as the name implies, to Europe but now extending as far afield as the American continents and Japan. Multinational companies find Insurope useful as a means of providing life assurance and pensions for their employees in whatever country they work.

We have specialised in pension scheme business for over fifty years and have built up considerable expertise and flexibility of approach in the provision of services. These are explained in a new brochure entitled "Pension Scheme Services" which I recommend for study by all our group pension scheme policyholders and prospective policyholders.

### CANADA

I am delighted to announce that during the year L. G. Rolland and W. D. Mulholland have accepted invitations to join our Board. Both were members of our former Canadian Advisory Board. Their knowledge of Canadian affairs is of great help to us.

During the last year we have concentrated on building up our sales force and continuing to produce types of policy to suit current conditions. Last year we wrote a satisfactory amount of new business and achieved an increase in total premiums received for both ordinary

business and insured group schemes, which is to the great credit of all the staff concerned.

We have also expended much effort in making arrangements to comply with the law of the Province of Quebec requiring the use of the French language. Our negotiations with the Office de la Langue Française regarding the use of French in our operations are continuing and we hope to be given reasonable scope in the use of English within our Head Office in Montreal and in our Quebec branches. In order to trade in the Province of Quebec the Company must, however, have a French name and to this end a Private Bill has been presented to the U.K. Parliament so that we may use the alternative name of Compagnie d'assurance Standard Life.

### INVESTMENT

In the U.K. at 15th November 1979 about 40% of our funds at market value were invested in fixed interest securities, 30% in ordinary shares and 30% in property. There were good opportunities at various times throughout the year to buy both fixed interest securities and ordinary shares and in the event we invested £80 million in the former and £70 million in the latter. £27 million was invested in property last year and over the next few years we are planning to invest more than £100 million in that area.

Over the past few years the yields on good completed properties have fallen to such an extent that we have been increasingly unwilling to buy them and instead we have ourselves taken on the task of overseeing directly, or at any rate being closely involved with property developers, in the creation of shopping centres, office blocks and industrial estates. A recent example is the large complex now being built at Cutler's Gardens in London. When completed this will provide about 500,000 square feet of office accommodation, together with residential flats, shops and recreational facilities. Already completed and highly successful examples are the imaginative and popular shopping centres at Brent Cross in north London and at Stirling in Scotland.

### ECONOMIC SITUATION

Since the war the evils of inflation have never been far from our minds but until a few years ago no real attempt was made to reduce it. However, the sudden large increase in prices and earnings that took place in 1973 heralded a period of much higher and more variable inflation than the previous, fairly steady, 5% per annum and it was only then that serious efforts were made. Until recently these efforts to curb inflation have concentrated on attempted control of increases in earnings. Although initially successful, such a policy leads inexorably to distortions in relative earnings which cause a build-up in pressure which eventually blows away the controls thus leading to worse inflation. We have seen this more than once in the last few years. The new Government has adopted a different approach which relies more on the control of the money supply coupled with market forces and we wish it every success. We also wholeheartedly support the attempt to reduce government spending. As Patrick Jenkin put it "the towering, frightening volume of public sector debt and the enormous burden of interest needed to service it, is one of the most ominous threats the country faces." The annual interest at the moment is running at a rate of £10 billion a year which is frightening enough, but if inflation does reduce substantially, this interest will become a real burden so large that it might even deter the Government from continuing to take the measures necessary to bring down inflation. This hurdle too must be surmounted.

We welcome the reductions in direct taxation, especially at the higher penal levels. We hope that in the country as a whole the increased incentives to work will result in greater efficiency and increased productivity. We are grateful too for the cessation of Exchange Controls because their removal allows us to invest our funds more freely so that we can produce an enhanced return for our policyholders. Before the controls were abolished, part of the market value of overseas portfolios consisted of the premium on investment currency. On the day the Exchange Controls ceased this premium, too, ceased, thus causing an immediate drop in value. This loss is to some extent illusory for, as my predecessor had occasion to remark four years ago, it is the income that concerns us, not the level of Stock Exchange prices on a particular day.

We acquired our overseas assets to provide us with an increasing stream of income—and this is unaffected by the presence or lack of an investment currency premium.

There is no doubt that it is in the public interest to encourage long term savings. The long established practice of giving tax relief on life assurance premiums has without a doubt helped the life assurance industry to play a major role in achieving this end. I hope, therefore, that the Government will consider very carefully before abandoning this practice in any future reform of taxes and allowances.

### VALUATION AND BONUS

The yield earned on our long term funds has been increasing for some years now and for the first time since 1974 we have made corresponding increases in the rates of interest used to value individual assurance contracts. Having regard to the nature of the assets and liabilities concerned, the revised valuation basis, as set out in the Actuarial Report, remains by any standards exceptionally strong.

Last year saw a further improvement in the surplus earnings of the Company. Income from our ordinary share and property portfolios improved substantially and although the relative market value of our ordinary shares did not change much in consequence, the market value of our property investment was significantly enhanced. For the third year running, therefore, we have felt able to increase our rates of reversionary and terminal bonus in the United Kingdom and Republic of Ireland. These record rates of bonus fully maintain our reputation as a leading with profit Office.

This year sees a triennial declaration of bonuses under group life and pension schemes issued in the United Kingdom and the Republic of Ireland. During the past three years group life mortality has been relatively light, and the benefit of this good experience has been returned to policyholders. Group pension policyholders have benefited from interest profits earned on the accumulation of their premiums; the rate of bonus declared has been improved and indeed, with increased business, the total cost of the group pension bonus has more than doubled since three years ago.

In previous statements I have at this stage sounded a cautionary note. The past few years have been highly favourable in monetary terms and the benefits from increased earnings have been passed on to policyholders rather than being held back in the fear that current conditions may not continue. Although Standard Life is as well able to maintain its bonus levels as any company, it would be rash indeed to suppose that the current record levels could be maintained were investment yields to fall significantly from their present inflation-induced levels.

### STAFF

Last October, after 47 years with the Company, David Donald retired from the post of General Manager and Actuary which he has held since 1970. Under his wise and able guidance, the U.K. premium income increased by more than three and a half times, whilst the number of staff employed today in the U.K. is virtually the same as when he took over. Despite the pressures of work, he always found time to meet and talk to the staff and at all levels he made friends and won respect. I wish to record our thanks for his outstanding service and to wish him many years of happy retirement.

To succeed him we are fortunate to have George Gwilt, who has been one of our Assistant General Managers, latterly in charge of Finance and before that as Pensions Manager. I am confident that under his leadership the Company will go on from strength to strength and we wish him well.

The work that has to be done never seems to become simpler. This year, for example, we were faced with a change in the method of giving tax relief on premiums. Our staff coped with this, as with all other problems, with their accustomed efficiency. Indeed the success of the Company in no small way depends upon the readiness and co-operation of staff in dealing with new problems and accepting changes arising either from new markets being developed or more efficient methods being employed and I would like to thank all members of staff for the part each has played during the past year.

# Standard Life

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## WORLD TRADE NEWS

## Pretoria admits getting Amin arms

BY QUENTIN PEEL IN JOHANNESBURG

ARMESCOR, the South African state arms manufacturing and procurement organisation, confirmed yesterday that it had offloaded a cargo of Soviet-made tanks and ammunition intended for delivery to the former President Idi Amin of Uganda, in April last year.

The cargo had been unloaded from a French ship in Durban, after information was received that it was destined for the South West Africa People's

Organisation (SWAPO) forces in Angola, fighting a guerrilla war against South African troops in Namibia (South West Africa), an official said.

The confirmation follows reports that the French shipping company involved in fighting a legal battle with the Libyan Government, which originally dispatched the arms to Uganda. Another of the company's ships has been seized in a Libyan port, it is reported, because the Libyan Government

claims that Armescor, although it has agreed to pay, is refusing to pay the real value of the cargo.

It was reported here yesterday that the cargo of arms arrived at the Kenyan port of Mombasa for delivery to Uganda on the day the Amin regime was overthrown, and the cargo vessel was turned around. But the arms were offloaded when the ship put in to Durban to refuel. Ten tanks and about 150 tonnes of ammunition were on board.

Armescor said the arms were offloaded after arrangements with the captain. It said the action was not extraordinary, but common practice in view of the war in Namibia.

There have been no reports of Soviet tanks being used by the South African Defence Force, but the Rhodesian security forces have displayed some which are said to have been captured in raids on Mozambique.

## Rhodesia's mines 'most promising'

By Mark Webster

THE MINING sector is the major area for potential growth in the Rhodesian economy, according to a report published by University of Warwick Statistics Service.

This report has been compiled from a variety of published sources and discussions in the UK and Rhodesia but does not cover the economic policy which Mr. Robert Mugabe's Government might now adopt.

It suggests that the extensive capital investment needed in the mining, agricultural and manufacturing sectors after 14 years of international sanctions will make the new Zimbabwe an attractive place for exporters.

The review points out that the lifting of sanctions should particularly benefit the mining and agricultural sectors, producing a sharp increase in the volume of exports in 1980, thus strengthening the country's balance of payments position.

The report is available from Warwick Statistics Service, University of Warwick Library, Coventry CV4 7AL; cost £15

## Bos Kalis' Morocco project queried in Dutch Parliament

BY CHARLES BATCHELOR IN AMSTERDAM

AN ORDER was by the Dutch dredging and construction group, Bos Kalis Westminster, from the Moroccan Government has raised questions about Dutch policy towards the Western Sahara.

The £110m (\$22.1m) order is for a fishing harbour to be built near the town of El Ayoun, which is in a disputed area of the Sahara, which was taken over by Morocco when Spain withdrew from its African empire.

Mr. Henk Waltmans, an MP for the small left-wing Radical Party, has tabled written questions to the Minister of Foreign Affairs, Mr. Chris van der Klaauw, and to Mr. Karel Beyer, state secretary at the Economics Ministry, about the order. Parliament approved in November a motion calling for The Netherlands to do all it could to oppose the Moroccan occupation and to support the independence of the Saharan people within the framework of the UN.

Mr. Waltmans said he wanted to know to what extent the Government assisted Bos Kalis in gaining the contract and how

this could be reconciled with the motion accepted by Parliament. The Finance Ministry has granted Bos Kalis a credit guarantee of £100m in connection with the order.

The Finance Ministry said it had sought the advice of the Foreign and Economics Ministries before granting the guarantee. The reaction of the Economics Ministry was positive, in view of the impact of the order on the Dutch trade balance.

Despite the view taken by Parliament, there were no formal objections to the company carrying out the order, according to the Foreign Ministry. Bos Kalis said the Government had made no objection to its seeking the order.

## Linde order in Australia

By Our Frankfurt Correspondent

ICI Australia, the subsidiary of Imperial Chemical Industries, is shortly expected to award the £400m (\$200m) contract for the construction of an ethylene plant in New South Wales to Linde, the West German process plant engineering group.

The ethylene plant, which will have an annual capacity of 250,000 tonnes a year, will be built at Botany. Feedstocks will come both in the form of naphtha from Sydney refineries and of butane and propane from gas fields in the Bass Strait.

## Technip in £111m deal for Iraq gas complex

TECHNIP said it signed a contract worth more than £111m (\$111m) with Iraq to provide a gas liquefaction complex at Jubail in south east Iraq. Further reports from Paris.

The contract will treat the crude mixture of gas a year, producing about 10 million tonnes of gas a year of butane and propane.

Production at the complex is planned to start in 20 months, using the gas field of Hassi Bahassi.

Paris. In Canberra, Mr. Anthony, the Australian Trade Minister, who is visiting Iraq, signed the agreement with Mr. Douglas, Iraq's Deputy Prime Minister and Minister for Trade and Resources.

Australia's exports to Iraq have increased by more than 100 per cent over the past three years, reaching \$532m (\$47m) last year and \$556m in the first six months of this financial year.

Iraq is one of Australia's largest export markets. Other exports include meat, grain, handling equipment, medical and health equipment.

Imports from Iraq last financial year were mainly crude oil worth \$55m. The agreement provides for most favoured nation treatment between the two countries and a joint governmental commission is to be established to meet regularly in Baghdad and Canberra to promote the objectives of the agreement.

## Optimism follows meeting with E. Germans

BY LESLIE COLTIT IN LEIPZIG

SENIOR WEST GERMAN and British officials held talks yesterday with top East German economics officials and came away with word that East Germany wants long-term marketing agreements with Western companies in order to help put East German planning on a more secure basis.

Herr Josef Ertl, the West German Agricultural Minister, said he told the East German leadership in his talks at the Leipzig Trade Fair and in East Berlin that the Bonn Government will do "everything to avoid tensions" in relations with East Germany. Bonn, he said, wants to make every effort

to "maintain normal conditions in Central Europe."

The Soviet occupation of Afghanistan and the resulting American trade sanctions against Moscow were not mentioned in Herr Ertl's talks with Herr Horst Soelle, the East German Trade Minister, and with a Politburo member in East Berlin.

Mr. Cecil Parkinson, the Minister for Trade, said he had had successful talks with the East German State Secretary for Foreign Trade, Dr. Gerhard Beil, and with the East German ministers for the Chemical Industry and Metallurgy and the State Secretary for Science and

Technology. Herr Ertl said there was "nothing spectacular" about his visit to Leipzig in the light of the current political tensions between East and West. He said the message he had brought to Leipzig was "that I came."

Herr Dieter von Witzleben, the State Secretary in the West German Economics Ministry, said that in the talks with the East Germans they stressed the need for more five-year framework agreements with West German companies such as last year's accord under which West Germany delivers crude oil and coal to East Germany and buys back refined products.

Similar agreements could be reached in non-ferrous metals, the East Germans suggested, and in consumer goods production.

East Germany said it expects to offer DM 5bn to DM 6bn (£1.25bn-£1.5bn) worth of contracts to Western companies for plant and equipment in the five-year plan beginning next year.

West German companies are expected to conclude some DM 150m worth of contracts with East Germany at the Leipzig fair for plant and equipment, mainly in the chemical industry.

## "£600,000 SAYS WE WERE RIGHT TO HAVE ECGD COVER"

As you would expect of a company which has won two Queen's Awards for Export, the Baker Perkins Group (headquarters Peterborough) is not only successful but highly professional in its approach to the exporting of plant and machinery for the food, chemical, printing and foundry industries.

"Of course," said Franklin Braithwaite, Chairman (left), "we make wide use of the financial benefits of our ECGD export insurance

policies—especially extended credit terms. But apart from that, with export sales of over £35 million last year in 100 countries, I don't think I could sleep at nights without export insurance protection which is good value for the premiums we pay."

"During the 1970s" added Managing Director John Peake, "ECGD paid us promptly claims of over £600,000 in markets where we thought we were safe. But with the current economic and political turbulence, how could anyone be complacent about the risk element in any part of the world?"

## Daimler-Benz in Egypt trucks talks

BY KEVIN DONE IN FRANKFURT

DAIMLER-BENZ, the leading West German motor manufacturer, is considering the construction of a truck assembly plant in Egypt. A decision in favour of going ahead with the project is expected in the next few weeks.

A final site for the plant has not yet been selected, but the company has inspected both existing factories and greenfield sites. If a new factory is built, the total investment could amount to some DM 40m (\$22.2m).

It is not yet clear what direct share Daimler-Benz will take in the plant, but an interest ranging from 26 to 51 per cent is under discussion with potential Egyptian partners.

If a decision is taken as planned in the next few weeks, the plant could be in operation by the autumn of 1981.

The plant will assemble heavy trucks from 15 tons

upwards, and an output of 1500 to 2000 vehicles is envisaged for the first year of operation. The capacity of the plant is being planned for an output of 5,000 vehicles a year, a level which could be reached after about five years of operation.

The plan is to serve the Egyptian market at least during the first stages. But with its assembly plant in Saudi Arabia (annual output of 5,000), Daimler-Benz will clearly be in a position to serve other Middle Eastern countries.

Last year Daimler-Benz built a total of 57,695 utility vehicles (commercial vehicles, trucks and buses) abroad—an increase of 1.6 per cent over 1978—compared with domestic production of 158,772. It has production facilities in ten countries, assembly plants in 24 countries, and a further 4 foreign assembly plants owned by licensees.

## Turkey may improve credit payment terms

BY DAVID TONGE

TURKEY may improve the terms it has offered for repaying up to \$1.9bn (£857m) of arrears on unguaranteed suppliers' credits. These arrears have arisen on nearly 100,000 export transactions to Turkey on the basis of cash against goods or cash against documents.

On January 24, the Turkish Government announced it would offer two options to suppliers. The first was that creditors would be paid in Turkish liras over up to two years. These liras could then be used for various purposes in Turkey. The second was that the creditors would be paid back in foreign exchange over 10 years with a 54-month grace period.

The general reaction by suppliers, many of whom have already been waiting for more than three years for their

money, has been unfavourable. This has caused the Turks, who are looking for credits of more than \$1.2bn from Western governments this month, to start a campaign to allay business concerns.

Mr. Turgut Ozal, Under Secretary to the Turkish Prime Minister responsible for co-ordinating economic policy, is now in London. He said yesterday that one of the purposes of his trip, which has taken him to West Germany and will include Belgium and France, is to talk to businessmen about their views and then to see how they can be met. "It is our good wish to do the best," he said.

An improvement of the terms offered could also help increase the credits available for Turkey from the banks, according to one banker.

## Malaysia to change oil sharing policy

BY WONG SULONG IN KUALA LUMPUR

THE MALAYSIAN Government announced yesterday that it would not sign any new production sharing agreements with foreign oil companies, but instead would offer contracts based on monetary payments.

Malaysia felt it was "losing" hundreds of millions of dollars, because it was not getting the benefit from the sharp increases in oil prices under the current production sharing agreements.

It signed three such agreements with Shell and Esso in 1976 and, according to Dr. Mahathir Mohamed, the Deputy Prime Minister and Trade and Industry Minister, the agreement specifically forbids the Malaysian Government to make any readjustments that might affect the profit of the two oil companies.

Esso's agreement also states

that the Malaysian Government can not give any special incentives to other oil companies without giving these incentives to Esso as well.

At the time of the signing, Malaysian oil was fetching \$12 a barrel, but it is currently selling for nearly \$40 a barrel.

The two oil companies pay 35 per cent income tax (5 per cent less than other business concerns) and Malaysia now finds it is losing out heavily on the production sharing.

Malaysia produces 317,000 barrels of oil daily, and about 40 per cent goes to Shell and Esso under production sharing. Dr. Mahathir confirmed that the Malaysian oil company would sign an agreement with Occidental next month to explore and develop gas off Trengganu state.



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مكازم التجميل



## British Aluminium lifts aerospace metal output

BY ROY HODSON

BRITISH ALUMINIUM is trebling its output of aerospace sheet metal to cash in on the boom in the world aircraft industry.

The group is out to win a substantial share of the European market for sheet and other forms of aerospace aluminium in the 1980s, with a presence in American and Far Eastern markets.

Facilities for rolling aerospace sheet at the group's Falkirk works in Scotland are being improved to cope with orders stretching into 1981. When the work is completed in June, British Aluminium will be able to produce sheet worth £15m at current retail prices, a year.

Mr. Keith Rugg, British Aluminium's group marketing director, said yesterday that BA's aerospace metal sales are likely to exceed £20m in 1980, compared with £15m in 1979. The business is expected to continue to develop rapidly for several years. The European aerospace market is unlikely to reach a peak before 1985.

British Aluminium is slowly releasing details of its strategy for entering the world aerospace aluminium market. A joint production and marketing drive will concentrate on the production of sheet metal, extrusions, tubes, and forging material, leaving aircraft plate production to Alcan and Pechiney, the two big

European producers.

British Aluminium is strengthening the management and production facilities of High Duty Alloys, the aerospace-orientated company it bought a year ago from the Hawker Siddeley Group for £8.5m. High Duty Alloys has been given an extrusion plant at Warrington which hitherto has made commercial-grade aluminium, and is being managed as a separate entity within the group.

Another British Aluminium subsidiary, Magnesium Elektron, of Manchester, which makes magnesium alloys for aircraft parts, has been included in the aerospace sales drive.

Two BA stockholding companies in the London area and a third in Paris are being geared to supply the European market.

Mr. Louis Cazeaux has been appointed group aerospace sales manager to co-ordinate the production units and companies. The group's technical aerospace team is also being strengthened. British Aluminium's new drive on the world aerospace market outside Europe will start with a sales team attending the Chinese Air Show in Shanghai in two weeks. BA has sold primary aluminium ingot to the Chinese and hopes the expansion of the Chinese aircraft industry will open up a new market for aerospace metal alloys.

NEWS ANALYSIS—MARTIN DICKSON LOOKS AT THE CEBG'S CASH PROBLEMS

## Curbs on the energy industry

TOUGH negotiations are going on between the Government and the Central Electricity Generating Board about the Board's finances. The outcome could have major repercussions on Britain's power plant manufacturers.

At the centre of the dispute is the Board's 1980-81 financial year cash limit—the amount the Government allows it to borrow externally.

Unless the Government relaxes the limit for the electricity industry—£187m—the Board says it will have to reduce sharply its capital expenditure programme, possibly by £200m out of a total £600m.

### Delayed

That could mean delaying the second British-designed advanced gas-cooled reactor (AGR) nuclear station it is planning to build at Heysham in Lancashire. A postponement there would probably mean a similar fate for the planned AGR at Torness, Scotland. The two have been planned in parallel.

As it is, the start of construction at the two stations has been delayed for technical reasons from this spring until August.

The result could be major problems for the British nuclear plant industry, relying on the two AGRs to tide it over the next three years until work starts on the nuclear expansion programme announced by the Government last December.

Why is the CEBG so starved of cash? Part of the answer, it says, is this winter's much lower demand because of the mild weather and strikes. It also has coal stocks some 3m tonnes higher than usual at this time of year, representing unused capital of more than £100m.

The Board originally hoped to make an £88m profit in 1979-80 (£65m last year), but now a small loss seems certain.

The Board has told the Government that, unless its cash limit is raised, it will either have to raise prices still higher than the 22 per cent planned this year or slash its capital expenditure. The options for spending cuts include:

- Deferring construction at Heysham, now due to start in August, for between six months and two years, depending on other savings.
- Cutting the Heysham costs by using in it two generating sets originally designed for the Isle of Grain oil-fired station in Kent, where strikes have halted construction.
- Mothballing the Littlebrook D station, also in Kent, due to be commissioned in the next two years. Ordered before the 1973/74 oil price rise, this oil-fired station will be expensive to run.
- Reducing the repair and maintenance programme, which cost more than £50m last year, or prematurely closing some

elderly power stations, maintained to cushion against surges in demand during winter.

● Lowering coal stocks. This could affect the National Coal Board, ironically cutting demand for steam coal when productivity and output is rising appreciably for the first time in years. With the Generating Board committed to importing 4m to 5m tonnes of coal in the coming year, there must be doubts about its ability to meet its undertaking to buy 75m tonnes from the Coal Board.

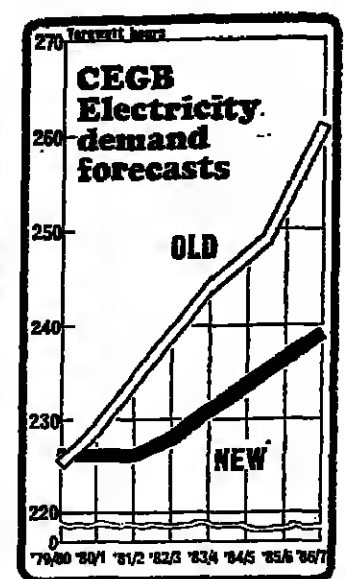
The CEBG is able to underpin its financial arguments with new electricity demand forecasts that substantially less generating capacity will be needed in the mid-1980s.

Because of slower economic growth, electricity demand is expected to remain static until 1981-82 rising modestly to 239.4 terawatt hours (1 terawatt hour = 1m kilowatt hours) in 1986-87—only 6 per cent higher than now and 8 per cent down on previous estimates.

### Debating

The Government is still debating its response, but it seems extremely unlikely that the Board is to get any relaxation of its cash limits. Mr. David Howell, the Energy Secretary, almost certainly ruled that out in the Commons on Monday.

One indication of the way the Government may be thinking is



any further run-down will make it that much more difficult for the sector to cope eventually with the expansion programme. Under that plan, one new station a year is to be started in the decade from 1982, although this schedule already shows signs of slipping.

At the same time, some members of the industry say delays at Heysham are inevitable because of the Government's failure to go ahead quickly with its planned reorganisation of the National Nuclear Corporation, responsible for the building programme.

### Cash limits

The decision on the Board's investment programme it is bound to displease someone. What finally emerges is likely to be an uncomfortable trade-off between four factors which are difficult to reconcile:

● The Government's commitment to tight cash limits and a slashed public sector borrowing requirement; the health of the nuclear plant industry; the Government's long-term commitment to nuclear powers, and the uncertain equation between medium-term electricity supply and demand.

Juggling with these issues is far from easy. It is likely to be some weeks before a clear idea emerges of the fate of the two AGRs and the Board's other investment plans.

## Motoring law review may offer 'new deal'

THE GOVERNMENT'S review of motoring laws could offer a new deal for motorists in the 1980s, Transport Minister Mr. Norman Fowler said yesterday.

Mr. Fowler told a conference of road safety experts at the RAC's London headquarters he was against extra motoring laws and was looking for simpler systems to lighten the load on magistrates' courts.

He said the present totting up procedure was a blunt instrument because an endorsement for a minor offence such as having a defective stoplamp carried as much weight as an endorsement for a hit-and-run offence.

A penalty points system would allow a more flexible approach, he said.

Mr. Fowler said he was also looking for a big improvement in motorcycle training.

"It is surely madness for anyone to take a motorcycle out on the road for the first time with-

out any form of tuition," he said.

Talks with interested organisations have revealed a need to restrict learner riders to smaller machines than the present 250 cc limit.

"There has also been considerable support for the idea of restricting the number of provisional licences which a learner driver can hold and I intend to make an announcement about future policy as soon as possible," he said.

Mr. Fowler said the risk of a motorcyclist being killed or injured was 30 times the risk for car drivers.

The review of traffic laws is being carried out by a working group from the Home Office and the Department of Transport.

One option the group is considering is whether the present fixed penalty system—now mainly applied to parking, lighting and tax disc offences—could be extended to other offences.

## Shepherd Neame brewing capacity rising 50%

BY GARETH GRIFFITHS, LABOUR STAFF

SHEPHERD NEAME, the independent family brewer in Kent, has completed a £2m investment programme at its Faversham headquarters which will lead to an increase of 50 per cent in brewing capacity.

The investment programme includes a £600,000 mill-house which will be opened this week.

Mr. Robert Neame, the company chairman, said the 1970s had been a bonanza period for small brewers. Shepherd Neame had been living from hand to mouth in the past few years because of insufficient capacity.

The new brewing house

meant the company's annual capacity would be increased to more than 156,000 barrels a year. He did not expect the brewery to produce at that rate.

New brewery equipment includes a 120-barrel copper whirlpool understood to be the first in the industry. Most of the equipment used in the new scheme has been produced in the UK. Some was imported from France and Sweden.

Shepherd Neame serves public houses in Kent and the South-East and has been expanding the number of pubs it owns. Last year company turnover was £8,801,000 and pre-tax profits were £853,000.

## Probe into ruling against building society premises

FINANCIAL TIMES REPORTER

A PUBLIC inquiry will be held in Galashiels next week into the Border Regional Council's refusal to allow building societies to open up High street offices.

The region's development control committee said it was firmly opposed to more societies obtaining premises and last year refused the Halifax permission to open a Galashiels branch.

The committee says societies and insurance companies have virtually taken over the region's main streets. Before it threw out the Halifax application, it turned down a similar one from the Northern Rock to open up in Kelso.

The Halifax already has an office in Hawick with agents in some of the other main Borders towns and said that with customers increasing in the area an office in Galashiels was needed and justified.

The Council said: "We are not against building societies establishing offices in the Borders, nor are we trying to keep out insurance companies or any other reputable financial company. On the contrary, they are welcome."

"What we do not want to see is domination of principal shopping streets by societies and the like. We would much rather have them in secondary front-

ages, leaving the main streets for traders."

The Building Societies Association said: "Like the banks, societies need to be seen as much as possible. There is a lot of off-peak business, apart from the advertising value. The banks are not tucked away round a back alley, so why should be building societies be?"

It is claimed that Galashiels—now the busiest and most prosperous central Borders town—has more building societies per head of population than any other town or city in Britain. But in spite of this, there are a number of towns in the region with none at all.

A number of societies are actively trying to establish agencies in the area and one with headquarters near London has been looking for a suitable vacant shop with the aim of opening its first Scottish branch. It would not be interested in anything less than a window at street level in a busy thoroughfare.

The public inquiry was ordered by the Scottish Secretary after strong protests by the Halifax—not so much against the Development Control Committee's decision—but against the reasons for it.

## Brokers backing chess tournament

GRIEVESON GRANT, one of the largest firms of stockbrokers, will sponsor the 1980 British Chess Federation Championships in Brighton from August 4-15 for the third consecutive year.

Mr. John Brew, a managing partner, said the sponsorship reflects not only the strong interest in chess within Grieverson Grant but also the following the game has among investors. The first prize has been increased to over £1,200 this year, and Grieverson Grant has agreed to contribute over £9,000 for

this year's championships, to enable the prize money for the Ladies Championship to be doubled and prizes in other events to be increased as well.

## Catamaran trial

SEALINK is chartering a 160-seat high-speed catamaran for a seven-day trial on its Portsmouth-Ryde (Isle of Wight) passenger service. The catamaran is a possible replacement for conventional ferries.

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## UK NEWS

## Stonefield losses 'should be shared'

By Ray Perman,  
Scottish Correspondent

THE SCOTTISH Development Agency may have less than a month to find a buyer for all or part of its 76 per cent holding in Stonefield Vehicles, in which it has invested almost £4m.

The Government is understood to have set a limit on the amount of the company's operating losses that the agency should bear, and has urged it to find a partner to help solve financial and marketing problems.

Stonefield, which is the agency's biggest investment, manufactures a medium-weight, cross-country truck which has been widely praised but is proving difficult to sell in sufficient numbers to make the project viable.

The Ministry of Defence took much longer than expected to approve the vehicle, which has delayed plans to sell it to foreign defence forces. The workforce has been cut to 100, but the company is still losing money heavily.

The agency began looking for a partner last year, and was talking to a U.S. businessman, Mr. Joseph Tripoli, whose own company, Via Motors, of Buffalo, makes a four-seat utility vehicle. He was thought to have useful marketing expertise.

The talks were discontinued last week and the agency's main hope now is a UK group, although there are still prospects of finding a potential buyer in Europe.

The effective deadline will make negotiations over possible sale difficult, although the Government is believed to have indicated that if a serious buyer comes forward, it might be willing to continue agency support to see the company through a transitional period.

In any event, the agency is extremely unlikely to recover much of its outlay.

## Public sector debt £8.06bn in 11 months

BY PETER RIDDELL, ECONOMICS CORRESPONDENT

CENTRAL GOVERNMENT revenue and expenditure have risen faster than expected in the first 11 months of the financial year, mostly because of the acceleration in the general rate of inflation.

Treasury figures for central Government transactions in February, published yesterday, support recent indications by Sir Geoffrey Howe, the Chancellor, that public sector borrowing in 1979-80 is likely to be nearly £9bn.

Government borrowing in February was £348m, compared with £334m a year ago. The catching-up of delayed payments of VAT at the higher rate helped, by boosting Customs and Excise receipts to three-fifths more than in the same month a year ago.

In contrast, the Electricity Council is believed to have borrowed from the National Loans Fund to repay overseas debt, with no net effect on public sector borrowing as a whole.

This takes borrowing for the

first 11 months of 1979-80 to £8.06bn, compared with £6.74bn at the same stage of 1978-79. A total of £9.56bn was projected for the current financial year in the June Budget.

The pattern of borrowing in 1979-80 has been complicated by the timing of direct and indirect tax changes, spending cuts and various special oil payments.

The broad trend is clear. It is that, before taking account of the £700m accelerated payment of Petroleum Revenue Tax announced in November, public sector borrowing looks like being at least £1.25bn higher than last June's estimate of £8.3bn. The excess has been trimmed to nearly £9bn by the PRT payment.

The overshoot, which is well within the forecasting margin of error, reflects the fact that the slippage has been slightly greater on spending than on revenue and that borrowing by nationalised industries has risen sharply.

The latter may result from the delay between cost increases

and price rises.

Central Government lending to nationalised industries in the first 11 months of 1979-80 was £906m, compared with a net repayment of £226m a year ago and projected borrowing of £275m for the whole current financial year.

Consolidated fund revenue to the end of February was roughly 22 per cent higher than a year earlier, compared with last June's projection of an 18 per cent rise for the full year.

Consolidated fund expenditure—the major component of public spending—was 19 per cent higher, compared with a Budget forecast of a 15 per cent rise for the year.

There was a smaller overshoot of 17 per cent—against 15 per cent—for supply services spending on the main departmental programmes. The difference is explained by the rise in the Consolidated Fund share of servicing the interest payments on the National Debt.

## Blowout as Argyll drill hits gas

By Ray Dafer, Energy Editor

A NORTH SEA oil team yesterday successfully tackled a well blowout in the Argyll Field.

Twenty-eight support staff were evacuated from the drilling rig, Ocean Kokua, as a precaution while Hamilton Brothers, operators of the Argyll field, flew emergency decompression equipment from Aberdeen in case deep sea divers needed to be moved from the rig.

The blowout started when a drill struck a gas pocket. Hamilton Brothers said drilling operators saw a small amount of gas bubbling to the surface.



The gas was found to be seeping up through the well casing. To control the blowout the drilling team perforated the well to relieve the pressure. They controlled the flow of gas by pumping down thick chemical mixtures—known as drilling muds.

Last night experts were deciding whether to abandon the well—the 13th on Argyll fields' block 30/24. The hole was being drilled about a mile from the converted semi-submersible drilling rig, Transwonder 58, which is the production centre of the small oil field.

The Ocean Kokua had 72 on board at the time of the incident. The 28 who were evacuated were moved to the Stirling Ash standby vessel while two divers were in decompression chambers on the rig. The portable decompression equipment was flown from Aberdeen as a precaution.

Hamilton Brothers said last night nobody was injured in the incident. Other companies in the Argyll consortium are Associated Newspapers, Kinetix, Bensen, Rio Tinto-Zinc and Texaco.

## Shell, BP evidence 'still secret'

By Raymond Hughes,  
Law Courts Correspondent

EVIDENCE given by Shell and BP to the Bingham inquiry into the Rhodesian sanctions busting is still confidential, the Court of Appeal was told yesterday.

It would be absurd if assurance of confidentiality given to the two companies at the time of the inquiry were not to continue after the sanctions order ended, said Mr. Peter Curry, QC, for Shell.

Shell and BP had consented to the confidentiality being waived as far as concerned extracts from their evidence being published in the Bingham Report, but no more, Mr. Curry told the Master of the Rolls, Lord Denning, and two other appeal judges.

Shell and BP are opposing a challenge by Lord to a High Court judge's decision last week that the oil companies' Bingham documents were covered by Crown privilege and could not be made public.

They have not, as suggested by the headline to yesterday's Financial Times report of the hearing, withdrawn their objection to disclosure of the documents.

### Legal battle

A claim for claim privilege, more correctly known nowadays as a claim of "public interest immunity," can be made on behalf of the Government when it believes that disclosure of certain information would not be in the public interest.

Lord says that Shell and BP's Bingham documents are crucial to its legal battle against the two oil companies, which is due for arbitration in June.

The arbitration is one part of Lord's £100m damages claim against 29 oil companies over alleged sanctions busting.

Last week Mr. Justice Robert Goff said that if assurances of confidentiality, given to ensure Shell and BP's full co-operation with the Bingham inquiry, were not honoured, such co-operation might not be forthcoming in future inquiries.

The hearing continues today.

## Cement makers agree peace plan

BY ANDREW TAYLOR

CEMENT manufacturers have agreed to put forward new proposals affecting the timing and impact of future price rises on the construction industry.

In return, contractors have agreed to postpone plans to ask the Government to review the manufacturers' common pricing agreement.

The decision was reached at a meeting between the Cement Makers' Federation and the Federation of Civil Engineering Contractors yesterday.

The contractors said they had been given only 18 days' notice of this month's 24 per cent increase in the price of Portland cements, the most widely used on construction.

The contractors' federation is seeking closer liaison with manufacturers on price trends. It hopes subagreed increases might be staged over 12 months to lessen the impact on low margin fixed-price contracts.

It says some kind of early-

warning system, aligned to a well-defined timetable for cement price rises, would enable contractors to take account of future likely material costs when negotiating such contracts.

About 90 per cent of civil engineering contracts involve public-sector work, most of which is subject to fixed-price tender.

Contractors say the sharp rise in cement prices from March 1 means that a number of contracts negotiated at the end of last year will now either be loss-making or at best break even.

The cement makers said it had been impossible to give an earlier warning on this occasion. Only a day before their own announcement they had been told of a 20 per cent increase in coal prices.

The makers' federation is expected to make a further announcement on pricing policy later this week.

## Insurance brokers' chief

BY JOHN MOORE

MR. IAN FINDLAY, former chairman of Lloyd's of London, is to become non-executive chairman of the British Insurance Brokers' Association, the main professional body for insurance brokers.

He will succeed the present chairman, Mr. Francis Perkins who is to retire later this year.

The executive duties of the association chairman's role are to be undertaken by Mr. Michael Morris, a former under-secretary of the insurance division at the Department of Trade.

Mr. Findlay, 62, was chairman of Lloyd's from the beginning

of 1978 to the end of last year. During his term of office, Mr. Findlay and the Lloyd's ruling committee instigated an internal inquiry into the chairman's role, under the chairmanship of Sir Henry Fisher, into self-regulation within the market.

Mr. Findlay chaired the Sedgwick Forbes group, one of the largest UK insurance brokers, before he became chairman of Lloyd's. Sedgwick Forbes later merged with Bland Payne and has become the UK's largest insurance broking group.

## Steel secrets were 'leaked' to Granada television

BY RAYMOND HUGHES, LAW COURTS CORRESPONDENT

BRITISH Steel Corporation policy documents were leaked to Granada Television's "World in Action" programme, a high court judge was told yesterday.

After using them in a programme broadcast on February 4, Granada returned the documents—having first censored them to conceal the source from which they had been obtained, said Mr. Leonard Hoffman, QC, for BSC.

The Corporation asked the Vice-Chancellor, Sir Robert Megarry, to order Granada to name the source.

Mr. Hoffman said the documents included very high level confidential papers dealing with BSC's commercial and labour relations policy. Among them were board minutes and reports of communications from the Industry Secretary, Sir Keith Joseph.

"According to Granada they were given the papers by an unidentified person—presumably employed by BSC—out of a keen sense of indignation about dealings between BSC and the Government before and during the present strike," said Mr. Hoffman.

Granada said in the programme that none of the documents had been intended for publication. Great emphasis was placed on the fact that a large number had "secret" stamped in very large letters on them.

BSC had been anxious to get the documents back to enable them to identify from markings the person who had banded them over to Granada, said counsel. The documents had had a restricted circulation within the BSC.

Granada's solicitors had returned two boxes of documents that were "mutilated or censored" to remove any identification marks or manuscript markings which might enable BSC to identify the person who had handed them over.

The inference was that this

was done to conceal Granada's source, said Mr. Hoffman. "The World in Action" programme was screened for the judge in court.

Mr. Hoffman said it was clear from the programme that both Granada and their source knew the documents were confidential and it is quite arrogant for them to say they had a public duty to disclose the documents in the public interest, he said.

Whatever the freedoms of the Press, they did not include the freedom to receive stolen property, even though it was honestly handled. There would have been no need for BSC to come to court.

## 'Open management' plea

THE STEEL dispute was cited by Lord Sief, Chairman of Marks and Spencer, yesterday as a typical example of the failure of human relations in much of British industry.

On a visit to M and S stores in Swansea and Llanelli last week, he found steel workers' wives in an embittered state, he told members of the Press Club. Their husbands had been on strike for 10 weeks and they were eating into their savings. But there was almost no communication between ordinary steel workers and either BSC or the union leaders.

He said many did not know what BSC's real offer was and the first they heard of developments in the dispute was from Angela Rippon on television.

Lord Sief considered that if the present offer had been made at the beginning it would have been accepted. The initial 2 per cent was never acceptable and should never have been made.

He said he approved of the present direction of Government policy, but emphasised that the law alone could never be a substitute for good human relations, which covered far more than the tradi-

had Granada not deliberately defaced the documents, said Mr. Hoffman.

Mr. Alexander Irvine, QC, for Granada, said that the conduct of both sides in the 10-week-long steel dispute was of great public interest.

It was plainly the view of the media and also perhaps of the public, that neither side should be entitled to conduct its affairs in secret.

He contended that the court could refuse to order disclosure of sources of information where to do so would be in breach of "ethical or social values involving the public interest."

The hearing continues today.

## Old Masters fetch £213,000

A PAINTING entitled "Shipping in a stiff breeze" by the Dutch born artist William van de Velde the Younger sold for £32,000, four times its estimate at Phillips yesterday.

Van de Velde lived at Greenwich and worked mainly in England in the 17th century. It was bought by the London dealer Paul Mitchell.

British buyers were active in the sale of Old Masters which totalled £213,200. Mitchell again paid £23,000 (around five times the forecast) for a still-life of flowers and butterflies signed and dated 1666 by Ottmar Elliger, the Swedish specialist in floral paintings, while Lisbon gave £11,500 for a woodland scene attributed to another 17th century artist, the Dutchman Matthys Molanus.

A Florentine "oak leaf" jar dating from the first half of the 15th century sold for £25,000, plus 11.5 per cent buyer's premium and VAT, at a Sotheby's auction of Italian

malocia and Brussels faience yesterday which totalled £162,465. The price was well over double the forecast.

The jar was bought by a Canadian collector, Gardner, who also paid £17,000 for an Urbino Gubbio-lustred istoriato dish, painted by Xanto in 1534, and £16,000 for an istoriato dish of about 1525. A faenza albarello of the late 15th cen-

totalled £9,063 and the hats alone £4,177. About 10 per cent were left unsold. Top prices were the £210 for a straw bonnet of around 1840 and, among the modern hats, £40 for the Victoria and Albert for a "flying saucer" hat by Christian Dior of around 1951, and the same for a red eire straw hat of around 1929 probably by Marshall and Snelgrove.

Shoes were in demand and the Northampton Museum paid £170 for two pairs of kid shoes of around 1880. Ten late Victorian corsets were bought for £180.

A pair of large 19th century satsuma vases and covers sold for £8,500 at Christie's sale of Japanese works of art which totalled £121,760. A fine enamel compressed globular bottle vase of the late Meiji period went for £5,500. Among watercolours, English drawings and watercolour of shipping by Edward Duncan realised £2,400.

### SALEROOM

BY ANTHONY THORNCROFT

ture realised £12,500. In the Continental pottery and porcelain sale, David Davies bought a 23-piece Meissen tea service of 1770 for £5,500.

Christie's South Kensington disposed of the hats and other items of costume collected and often worn by Mrs. Doris Langley Moore. The sale

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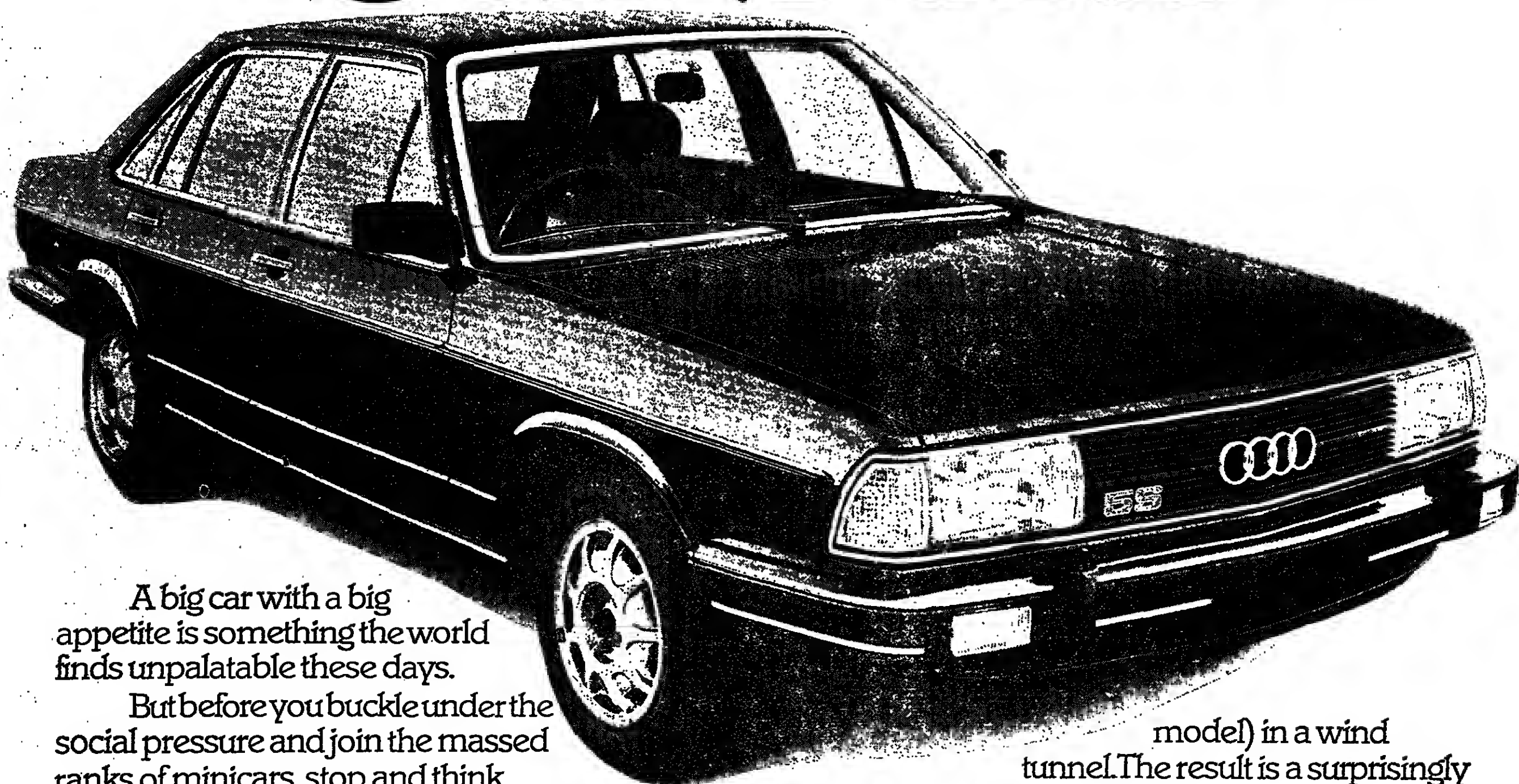
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But behind its opulent appearance and exhilarating performance beats the heart of Shylock.

For under the bonnet is the world's first and only five cylinder petrol engine. Indistinguishable from a six in power and smoothness, it uses less petrol than some fours.

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To give our remarkable engine less work to do, we designed the whole car (rather than just a

model) in a wind tunnel. The result is a surprisingly low drag coefficient of 0.40.

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When it was first introduced, the Audi 100 five cylinder looked ahead to when big cars would be looked at with more disapproval than admiration.

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**The Audi 100 five cylinder.**  
**Audi The car for now.**



## UK NEWS—PARLIAMENT and POLITICS

## Jenkin's 'no comment' on Temple gossip

By John Hunt, Parliamentary Correspondent

ALLEGATIONS WERE made in the Commons yesterday that Mr. Patrick Jenkin, the Social Services Secretary, failed to consult Government law officers before deciding to suspend Lambeth, Southwark and Lewisham Area Health Authority last year.

Mr. Jenkin appointed Commissioners to run the area because the authority refused to keep within the Government's cash limits, but recently the High Court ruled that his action was invalid and, as a result, the authority is now being reinstated.

Yesterday, the Commons was debating a Bill to regularise the position for the period which the Commissioners have controlled the affairs of the area.

## Sl at dis

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PROGRESS internal guerrilla West Africa the Rh become of Sou similar Five Town African to progress of a UN-sup Insten agreed UN demilit Namib would where: South after victory tion victory Africa (SWAP ment 6 in Nam more re The ducted port it African Angola. A senio leaving in the "that some p West Town a launch that the will be South time to result Howt applic merely establish hooked Alliance to SW.

## PM queried

on Prior

THE PRIME MINISTER was questioned in the Commons yesterday about her public relations officer, Mr. James Prior.

Mr. James Prior, Secretary to the Prime Minister, was asked by Mr. David Owen (Lib.) why the Prime Minister consistently undermines and humiliates her own Secretary.

Mr. Prior answered: "I am not a politician, Sir."

## Callaghan calls for hard line on EEC budget

BY IVOR OWEN

IF A MORE equitable system of contributions to the Community Budget is not agreed at the EEC summit later this month, Britain should redress the balance by retaining some or all of the VAT revenue which is now handed over to Brussels, Mr. James Callaghan, the Opposition leader, suggested in the Commons yesterday.

This new headline approach was strongly endorsed from the Labour backbenches.

The Prime Minister, who had earlier reaffirmed his commitment to keeping Britain in the EEC, made a cautious response.

But she did agree with Mr. Callaghan that during the entry negotiations conducted by the Heath Government, it was stated that if an unacceptable position arose over the level of budget contributions, it would be for the Community to find a solution to the problem.

"An unacceptable position has arisen," she said "and it is up to the Community to find a solution."

Mr. Callaghan assured Mrs.

Thatcher that in seeking to reduce Britain's net contribution to the Community budget at the Brussels summit, she should have the full support of the Commons.

He recalled that in the entry negotiations when the need for action to deal with an unacceptable situation was acknowledged, it had also been envisaged that expenditure on the Common Agricultural Policy would be reduced to below 50 per cent of the total Community budget.

"It is quite clear that an unacceptable situation has arisen and CAP expenditure has not been reduced," Mrs. Thatcher said.

Mr. Eric Heffer (Lab., Liverpool) a leading opponent of Britain's membership of the EEC, maintained that the Prime Minister had weakened the budgetary case by making it clear in her television broadcast to the French people on Monday that in no circumstances would she ever accept the "empty chair" policy or withdrawal from the Community.

The Prime Minister replied that she believed that it was in Britain's interests and in the interests of Europe that Britain should remain a member of the EEC.

Amid Tory cheers, she emphasised: "I believe that the Community would be very much less effective than it is without Britain."

Mrs. Thatcher explained that in her television broadcast she had tried to illustrate how the French would view things if they were in the same position as Britain, and how fiercely they would demand justice from the Community.

"We shall go on doing just that," the Prime Minister promised.

An unrepentant Mr. Heffer shouted: "Then you will not get what you want."

Commenting on the need to reform the CAP, the PM warned that it would be a very difficult task indeed.

"We had to be extremely persistent," she said.

## Labour convinced it can win

BY PHILIP RAWSTORNE

MRS. MARGARET Thatcher's party political broadcast may be addressed to the country tonight but it will be directed primarily towards Southend East.

It is the last poll card that the Conservatives can deliver in the by-election campaign; and their chances of holding the seat may depend heavily on the loyalties it can summon forth tomorrow.

For the Labour Party is convinced that it now has an historic by-election victory within its grasp.

There is little evidence to rebut their claim except for the fact that even in their best years they have never taken the seat before.

Sir Stephen McAdden, the Tory MP for 30 years, whose recent death caused the contest, bequeathed his party a majority of 10,774.

But the crushing collapse of that bulwark has set the Tory nerves twitching and forced them into frantic shifts to shore up their position.

Mr. Teddy Taylor, the former junior minister who has come down from Cathcart to fight for the Tory cause, has been on the defensive from the outset.

It is not a political stance which suits his Scot-pop personality; it has muted his political exuberance, pulled his punch.

As the campaign has progressed, Mr. Taylor has looked more and more the wrong man in the wrong place at the wrong time.

He has to spend much time explaining his presence so far south of the Border, emphasising that his holiday flat is not to be taken as a sign of transient interest in the resort as a mere route back to Westminster.

He has acquired an impressive local knowledge. He clutches Southend in his heart — "they are my kind of people," he declares.

But his identity problem is accentuated by the bery of Scots reporters and television crews at his heels. Glasgow's farewell appears far more sympathetic than Southend's reception.

The seafarer amusement stalls stand shuttered against the wintry weather—and in the carefully tended terraces, detached homes and council estates behind them, voters are undoubtedly turning their backs on the Government's chilly economic policies.

Over occupiers hemoan the mortgage rate; council tenants bewail their rents. A third of the constituency's working population are commuters who have just been hit by increased fares.

Unemployment and short-time working is on the increase—1,800 local jobs have been lost this year.

But few see the situation in



TAYLOR: The wrong man in the wrong place

Mr. Taylor freely admits that a substantial section of Tory support has been rapidly eroded by this climate. And that with the prospect of more price increases, it will be difficult to rebuild.

Half of that 10,000 majority—mainly first time Conservative

such simple terms—though none either see it quite so confusedly as Mrs. Sally Oppenheim, the Consumer Affairs Minister, who told party workers this week: "We have pulled back a good way from the abyss and we are now at the crossroads."

Given such directions it

extremism of the Right and Left with a will.

Evidence of a Liberal revival has brought almost as much cheer to the Labour camp where it was counted on to weaken the Tories.

Mr. Colin George, the Labour candidate is even better known locally than Mr. Evans. A magistrate and former councillor, he has taken leave of absence from the town's citizens' advice centre which he runs to offer more general political guidance to the townspeople.

This Government has done more in ten months to damage the living standards of the people and to divide them than any government since the war," he says.

He attacks Mr. Taylor not for his origins but for what he stands for. "He represents everything I detest," Mr. George snorts. "He stands for Thatcherism."

Mr. George is a moderate, except in his references to the Government. He is firmly to the central non-conformist strand of the Labour Party and he speaks commandingly of co-operation, consent and community.

He appears to have found a very receptive audience—and one that is seemingly unconcerned whether he is flanked by Mr. Eric Heffer and Mr. Anthony Wedgewood Benn or by Dr. David Owen and Mrs. Shirley Williams.

Mr. George's campaign has run an untroubled course planned on the assumption that if Labour can get out its traditional vote, Tory abstentions and the inroads into Tory support made by the Liberals will do the rest.

Mr. George says that he has found a "massive reservoir" against Mrs. Thatcher and an enthusiastic determination to seize this chance to kick Labour's cantankerous struts that it will not fail for a party this time and that a majority of over 1,000 is within reach.

Whether Southend goes that far in hailing out its rebuke to the Government or not, even the most optimistic Tories are bracing themselves for a nasty knock.

Candidates: Edward Taylor (Conservative); Colin George (Labour); David Evans (Liberal); Commander William Ranks (Public Safety, Democratic Monarchist, White Resident); James Curry (Independent Liberal); Terence Robertson (New Britain); Oliver Smedley (Anti Common Market and Free Trade).

General Election 1979 result: Sir S. McAdden (Conservative) 20,413; T. N. Wiche (Labour) 11,839; J. Huel (Liberal) 5,244; P. Twomey (National Front) 676.

Conservative majority 10,774. Electorate 57,324.

## Southend East by-election

voters who doubled the normal post war Tory margin in the last election—have deserted.

But the signs are that much of the traditional bedrock has also been eaten away. "This is a marginal seat," Mr. Taylor confesses, hoping that pronouncement will make it less so.

A faithful band of Tory ladies trudged the terraces this week revisiting what were described as "the disgruntled," in an effort to persuade them to turn out again tomorrow.

"We've just got to win this by-election, just got to win it," says one canvasser, travelling optimistically to the eleventh floor of a tower block only to find further discontent.

Mr. Taylor might have wished for more support from Cabinet ministers. But he works assiduously, promoting loyalties rather than provoking the opposition, complementing his tough approach to law and order with a caring word for pensioners, some 14,000 of whom figure on the voting list.

The choice here is to back the Government which is facing neglected problems with courage and determination or to give your blessing to a Labour Party dominated by the left-wing and militant extremists," he declares.

But few see the situation in

would not be surprising if quite a few stayed at home during polling tomorrow.

The question of how many turn to the Liberals will be the key to the result.

Mr. David Evans, the Liberal candidate, is quite confident of substantial conversions.

His office walls are ostentatious with some of the proof-letters which assert "I was Tory to the backbone but..." "I have been a Conservative for 28 years and am now very disillusioned..." "I would like to join the Liberals if it is not too costly..."

Mr. Evans, a local man and former town councillor, fought Southend's western constituency last year.

He has made much of the contrasting borders that he and Mr. Taylor have crossed to join issue now.

For all that advantage, however, his campaign set off to a slow start, was diverted by the unexpected entry of an independent Liberal, and only in the last few days appears to have been gaining ground.

Mr. Evans will not win; and he has followed Mr. David Steel's cautionary advice not to make any rash claims that he will. But he chats charmingly on the doorsteps, knocks

## Revolt over block grant

BY ROBIN PAULEY

THE GOVERNMENT faces open revolt from all local authorities and their Tory-controlled associations over its refusal to compromise on controversial parts of the Local Government Bill.

The final split came in the committee stage of the Bill yesterday when Mr. Tom King, Local Government Minister, announced that the Government was rejecting all the authorities' alternative proposals to reform of the rate support grant. The local authorities had been hoping for at least some gesture of compromise, and their Tory-led associations have now allied themselves to the Labour opposition in the committee.

The break with the associations is now so complete that they have chosen to table 39 amendments to financial provisions to the Bill through opposition Labour members rather than through their Tory party colleagues.

More than 300 amendments have been tabled so far and the committee has reached only clause 29 out of a total 149.

The Government needs the Bill on the statute books this session and fears that time may be running short, particularly as some opposi-

tion in the House of Lords is now considered a certainty.

Mr. King therefore announced yesterday that as from tomorrow the Government wants extra Parliamentary time for the committee stage.

The opposition, led by Mr. Roy Hattersley, Labour Environment spokesman, said privately that if an attempt were made to force all-night sittings of the committee they would filibuster to ensure that no further progress were made than if the committee adjourned at 7 or 8 pm.

Mr. Hattersley said the Government had broken its promises to consult the local authorities and had rejected their grant plan for no reason. "The Government's aim is to maintain a robust line of dealing with local authorities. We are suffering from a bad attack of ministerial machismo."

Mr. Hattersley found himself leading the case for the Tory associations against the Tory Government, the irony of which delighted him.

The reason was that the Government had treated the councils with total disdain, he said. It had promised to consult but had held only one meeting since the alternative plan was produced and then there had been no real consultation or movement.

"The problem is that the Secretary of State has a vision of each and every individual local authority."

He wants no damn nonsense about democracy," Mr. Hattersley said.

A letter from Mr. Michael Heseltine, Environment Secretary, rejecting the alternative plan to the block grant system says: "My major objective in introducing block grants was to deal with the problem of the major overspending authorities and the pre-emption of grant that flows from high spending."

It is critically important to provide a grant system which encourages economy and efficient management of resources by all authorities and which provides them with an incentive to keep their expenditure within reasonable limits. The only way we can meet this objective is by securing a link between expenditure and grant.

Your proposals provide no consistent link between grant and expenditure for authorities spending above the threshold."

A joint statement by the local authority associations and the Tory-controlled GLC last night said: "We are bitterly disappointed. The explanation for the rejection of our scheme is totally inadequate. It met all the objectives the Government laid down in the second reading but now they have changed their objectives. This shows that the Government is bent on achieving control over the decisions of each and every individual local authority."

turn the Scottish Grand Committee of MPs into a more effective forum of debate.

Among the proposals is the holding of Grand Committee meetings in Edinburgh on Mondays or Fridays, or both.

It is also suggested that Question Time on Scottish subjects and adjournment debates on Scottish subjects could be taken by the Grand Committee.

Under the plan, more days would be devoted to general subjects for debate rather than specific legislation. It is also suggested that English MPs, now co-opted on to the committee because of lack of numbers of some parties, should be withdrawn.

PROPOSALS for the future role and organisation of central government's public audit service—Exchequer and Audit Department—were published in a Green Paper yesterday.

The department is led by Sir Douglas Hensley, the Comptroller and Auditor General.

The Paper discusses three main questions—What kinds of audit should the C and AG undertake? How far should his responsibilities extend? What should his status be in relation to Parliament and the Executive?

The Paper says the role of the C and AG should be to provide a basic financial and regularity audit of Departmental accounts; to examine the economy and efficiency with which public funds are spent and, in appropriate cases, to investigate the effectiveness of programmes and projects in meeting established policy goals.

The Government's provisional views can be summarised as follows:

● The effective working relationship between the C and AG and the Public Accounts Committee should be preserved.

● In the case of non-departmental bodies an important objective of the C and AG's examination should be to review the effectiveness of the arrangements under which Ministers monitor and control the payment of public funds.

As the Government's external auditor the C and AG is a key figure in the system of public audit. His role needs to be viewed in the context of the general framework of Parliamentary accountability, which is based on the principle that Parliament grants supply to the Crown and holds the Ministers accountable for the use made of it.

The Government believes that an efficient and thorough financial and regularity audit of Government Departments must

## Scottish debate move

BY RICHARD EVANS, LOBBY EDITOR

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The Government believes that an efficient and thorough financial and regularity audit of Government Departments must

remain the foundation of the C and AG's work as a whole.

In modern conditions the most cost-effective means of carrying out the audit task is likely to be a systems-based approach based on evaluation of key internal control systems, supported by substantive tests of selected items of information in the accounts and records.

Local authorities are autonomous bodies answerable to their two electors and not to Parliament or to Ministers and in England and Wales present legislation gives local authorities the choice between commercial and District audit. Most have opted for the latter.

The C and AG suggested, in his observations on the Eleventh Report of the former Expenditure Committee that an amalgamation of the District Audit with the Exchequer and Audit Department under the C and AG would have certain advantages.

But the difficulty with this sort of proposal, with the implication of a closer relationship between local authorities and Parliament, is how to reconcile it with the existing constitutional arrangements and to avoid confusing the division of responsibilities.

The Government accept the importance of maintaining and further developing an effective local authority audit and of promoting efficiency across the



GEORGE: Appears to have found a receptive audience

## GREEN PAPER ON THE EXCHEQUER AND AUDIT DEPARTMENT

## The role of the Auditor General

whole range of local authorities. In the light of experience of the Advisory Committee's first 15 months of operations they plan to consider what scope, if any, there is for strengthening existing arrangements in order to increase the impact of the work of District Audit among local authorities.

In the Government's view the proper division of responsibilities between Ministers and Nationalised Industries, which is vital to their efficient operation, is appropriately underpinned by existing arrangements for the industries' audit and accountability. The Government are not persuaded that it would contribute to the efficiency of the industries for the C and AG to be involved as well.

The PAC recommended that the C and AG be granted rights of access to the books and records of the British National Oil Corporation. The Government are at present considering the future structure of the Corporation's activities and a final view about the appropriateness of providing for C and AG access should be reserved until conclusions are reached. But the Government at present incline to the view

that the C and AG should not be granted access.

The PAC also recommended that the C and AG should be given access to the books of the National Enterprise Board. There are arguments both for and against this. In some respects the NEB resembles the generality of nationalised industries. The changes recently announced to the NEB's role will result in the reduction of its activities, but in essence these will remain the same—save for the reorganisation function—and the NEB will retain a substantial measure of autonomy.

The Government will consider the question in the light of comments on this Green Paper. The suggestion was made in 1977 by the Expenditure Committee, and subsequently by the Procedure Committee, that certain powers of direction available to the Treasury under the E and AD Acts are inconsistent with the claim that the C and AG is fully independent of the Executive.

The Government have no wish to maintain CSD control for its own sake, but they believe that there should be some external oversight of the C and AG's budget and the staffing costs of the E and AD. Present arrangements take advantage of the wide relevant expertise of the CSD, and if the responsibility

were exercised unreasonably, the C and AG, being independent, could report the matter to Parliament.

The Government would be ready to consider some form of control by the House of Commons Commission as an alternative. Any changes would need to be discussed with the Staff Side of E and AD, particularly if they would result in the staff ceasing to be members of the Home Civil Service and could reduce opportunities for exchanges with other Departments.

Resources

As for the C and AG himself, the Government consider that independence in the exercise of his responsibilities, and in deciding on the disposition of his staff resources and on audit priorities, is of fundamental importance to a national auditor. The nature and balance of his work under the statutes should not be subject to direction from any quarter. The PAC of Session 1978-79 also considered that the C and AG's independence was essential in the function of his office as the Government auditor, and that there should be no external constraint on his right to determine the direction and application of his audit resources.

Cmnd 7845. Published by HMSO, price £2.25.

## 58th MILAN TRADE FAIR

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- March 2-5 3rd SAS INVERNALE 80 - International Market for Sporting and Camping Equipment
- March 3-7 4th NC ROBOT AUTOMATION - Exhibition-Conference: Numerical Controls, Industrial Robots & Process Automation
- March 16-20 MODIT - Ready-made Clothes Exhibition
- March 16-21 IFAC-IMA - International Exhibition of Packaging & Wrapping, Internal Factory Conveyor Transport & Food Industry Machinery
- March 26-30 16th COMIS/PEL - International Fur Dealers' Salon
- April 16-22 41st MIFED - International Film, TV-Film and Documentary Market
- May 3-6 MIDO 80 - International Exhibition of Optical, Optometric & Ophthalmic Goods
- May 3-6 SINAC 80 - Italian Fashion Preview - International Exhibition of Foot & Shoemaking Machines - Machinery for Tanning - Accessories and Synthetic Products - Model Designs
- May 10-12 EXPO ITA - International Exhibition of Heat & Sound Insulation, Roofing Materials & Waterproofing
- May 16-21 SASSMIL - International Exhibition of Semifinished Products & Accessories for the Manufacture of Furniture, Upholstery and Wooden Articles
- May 16-21 INTERBIMALL 80 - 7th International Biennial Exhibition of Timber & Woodworking Machinery & Accessories
- May 16-20 STAR 80 - International Trade Show of Carpets, Curtains, Furnishing Fabrics, Tapestries & Wall-papers, Housewares
- June 4-8 16th BIAS - Biennial International Exhibition-Conference: Automation & Instrumentation
- June 5-9 37th MIPEL - Italian Leather Goods Market (International Salon)
- June 10-12 ESMA-EUROTRICOT - European Hosiery and Knitwear Salon
- June 16-21 MANUTENZIONE 80 - Exhibition-Conference: Materials, Equipment & Products for Maintenance, Cleanliness & Hygiene in Industry & Community Life
- June 20-24 SAMAB 80 - Exhibition of Machines & Accessories for the Clothing Industry

Further information from: Fiera di Milano, Largo Demodossolo 1, 20145 Milano (Italy) or from the Milan Fair Representative, Dr. Vittorio Schiavazzo, 20 Savile Row, London W1X 2DQ 021-71-734 2411.

The Milan Fair Organization declines responsibility for any changes in the dates announced as above.

كازمان الخليل



## Rail unions to submit joint claim for 20%

BY PHILIP BASSETT, LABOUR STAFF

ALL THREE rail unions yesterday united behind a joint pay claim, estimated to be for at least 20 per cent, in order to present a common front to the British Railways Board for what union leaders believe will be a difficult round of pay negotiations.

The unions will seek a meeting with British Rail this month to present the claim. All three have already submitted notices of their individual claims.

The joint claim is essentially that proposed by the National Union of Railwaymen, the largest union in the industry. It is for a substantial increase in pay, shorter working hours as a stage towards a 35-hour

week, and longer holidays.

In the light of the differences between in particular the NUR and the train drivers' union ASLEF which re-emerged in last winter's four one-day national rail strikes, it is perhaps more significant that yesterday's meeting between the three unions produced a measure of co-ordination on pay aimed at surviving the full run of the negotiations, rather than just the opening.

The unions agreed to co-ordinate action at each stage of the negotiations. No single union should attempt to hold to a "rigid or inflexible policy" in the joint union discussions. During last winter's stop-

pages, ASLEF insisted on maintaining its claim for a 10 per cent special responsibility payment for drivers alone, while the NUR wanted to broaden the claim to include all railway staff.

One union official said it was the first time in recent memory that the unions were going into negotiations united around a joint claim.

The outcome of yesterday's meeting does not affect the unions' individual positions on the question of BR's productivity proposals. ASLEF still wants to pursue a separate claim, while the NUR would like to see joint agreement on its own £300m productivity terms.

## Adjournment of BBC claim prompts call for pay proposals

BY PAULINE CLARK, LABOUR STAFF

THE Association of Broadcasting Staff, the biggest union in the BBC, yesterday called on the corporation to state its pay proposals to 28,000 staff.

The demand, in a letter to Mr. Michael Bett, BBC director of personnel, swiftly followed the adjournment of the Central Arbitration Committee's hearing of a claim aimed at closing the gap between BBC pay rates and those in commercial broadcasting.

The CAC told the four unions involved and the BBC that the union claim was being put on ice because of the imminence of annual pay negotiations for the April 1980 pay settlement—believed to be the first time this has happened.

The unions this year presented the CAC with an argument for a 29 per cent rise under schedule 11 of the Employment Protection Act. They now fear that if the annual pay negotiations do not end quickly and satisfactorily, they may have lost their chance. The schedule 11 provisions would be repealed when the Government's Employment Bill becomes law.

The BBC said yesterday it

would also be in difficulties because of the CAC decision. It would be negotiating in "a vacuum," as the unions might return to the CAC after a wage settlement was reached.

It was made clear to BBC staff only last month that any rise in pay of more than 16½ per cent over the coming financial year would have to be paid for in further staff cuts.

Mr. Tony Hearn, general secretary of the ABS, said yesterday that the same arguments used by the unions in their CAC claim would be employed in negotiations with the BBC.

The gap between BBC pay and commercial radio and TV pay was such that the BBC could find itself faced with serious staffing difficulties.

Mr. Hearn said the letter to the BBC pointed to the CAC's comment that the facts presented by the union "plainly establish a prima facie case that the claim is well founded."

The BBC accepted this "and indeed indicated their feeling that evidence of detailed comparisons might show that the arithmetical calculation underestimates actual differences in levels."

## Civil Service may revive joint policy forum

BY PHILIP BASSETT, LABOUR STAFF

THE CIVIL SERVICE Department and union officials are considering whether to revive the idea of a joint forum on manpower policies following a meeting yesterday on the unions' legal attempt to enforce the disclosure of information.

The meeting was held under the auspices of the Advisory, Conciliation and Arbitration Service to consider the unions' complaint against the Government under the Employment Protection Act to force the disclosure of information about plans to reduce manpower costs.

The unions consider the complaint as a test case of the legal relationship between civil servants and the Government as their employer.

The most likely outcome being studied is a revival of a joint committee on manpower, first mooted two years ago and shelved after a failure to agree terms of reference. The unions wanted to include the idea of negotiation on manpower in the terms, but the Civil Service

Department refused to accept this.

Civil Service Department officials were careful to stress yesterday that while such a forum would give the unions much greater access to manpower information, the Government would still insist that there were some areas where it would have to reserve its right to manage the Civil Service as it thought fit.

The Institution of Professional Civil Servants, which represents about 100,000 professional and technical staff, said yesterday that two of its members had been suspended for complying with union instructions in refusing to supervise a new productivity scheme for industrial grades.

The IPCS said that the two members at Royal Naval Armament depots at Trowyn and Milford Haven, South Wales, had refused to supervise a scheme which would lead to supervisors receiving £50 a week less than the workers they supervised.

## Meccano checks stocks after bailiffs end sit-in

EXECUTIVES OF Meccano

yesterday started an inventory of stocks and machinery after bailiffs and police ended a 102-day sit-in by workers at the doomed Liverpool factory.

The bailiffs moved in at dawn to execute a High Court writ returning possession of the factory to Airfix Industries, the parent company.

Only four of the original 980 workers were on the site and they left peacefully after the bailiffs forced their way in. A picket line of about 50, later formed outside the plant, but there was no sign of the hundreds of Merseyside trade unionists the Meccano workers

had claimed would support their campaign against Airfix's plans to close the factory.

It is estimated that it will take management, led by chief executive Mr. Derek Doherty, a fortnight to check the £2.5m stockpile of Meccano sets and Dinky toys before they, and the machines, are moved out.

Meanwhile, union officials and senior shop stewards, who have promised to continue the campaign, will today meet Councillor John Hamilton, leader of Liverpool City Council. They will discuss the possible intervention of a mystery bidder said to be interested in taking over the works.

## Beer supplies disrupted

BEER SUPPLIES to Courage public houses in Greater London are being disrupted by a dispute at five depots involving 300 drivers and drymen, members of the Transport and General Workers' Union.

Work has stopped at Tower Bridge and Southwark, Merton, Peckham and Brompton depots have been affected.

Talks have been held between the TGWU and Courage, part of the Imperial Tobacco group,

over a new work schedule. Courage said last night it was hoped there would be a settlement shortly.

Beer supplies in London have been disrupted during the past three months at Courage public houses because of industrial disputes. The publicans union, the National Union of Licensed Victuallers, last week announced reorganisation plans which it hopes will lead to landlords pooling resources and supplies during disputes.

## Sutton colliers walk out

PRODUCTION AT Sutton Colliery, Nottingham, was at a standstill yesterday after 280 miners walked out in support of a seven-man team working on an underground roadway who are

protesting over bonus payments. An NCB official said: "The Board recognises that some adjustment is necessary for bonus payments. Because a change in working arrangements."

NICK GARNETT ON TODAY'S CRUCIAL PAY NEGOTIATIONS

## Clearing the bank muddle

PAY NEGOTIATIONS for 180,000 clerical staff in the five principal English clearing banks begin this morning.

The smoothness with which they are completed will be an indicator of the ability of the banks to agree with staff associations and unions a sensible structure for future pay bargaining.

That the talks might be a form of test case is important because of the disagreements and disorganisation that have afflicted bank labour relations over the past few years. The last annual pay negotiations degenerated into separate domestic negotiations for the five banks.

### Employers

The employers have a difficult circle to square because of two contradictory claims from the Banking, Insurance and Finance Union on the one hand and the staff associations at three of the banks, acting jointly, on the other.

The two union groups cover the same staff and the employers, meeting the staff associations in the morning and BIFU in the afternoon will make exactly the same offer to the two.

The banking union has tabled a general claim of 25 per cent, but is seeking rises of just over 30 per cent on the minimum salary and for medium-grade cashiers.

The claim from the three staff associations at Lloyds, National Westminster and Barclays, however, has a built-in differential scale from 20 to 28 per cent for clerical grades 1 to 4 covered directly by the negotiations.

This is in line with the emphasis staff associations—which have a much greater joint membership in the clearers than BIFU—place on improving differentials eroded over the past five years. It also meets the aspirations of many of the better-paid staff in an organisation where the hierarchical system is deeply rooted.

One way of providing for improved differentials without antagonising BIFU would be to make very large payments right up the line.

The banks, however, will want to keep the rises under tighter control, as total pay bills account for about 70 per cent of banks' operating costs. Despite this, bank negotiators seemed reasonably confident yesterday that their approach to pay this year will satisfy both staff associations and the banking union.

The recent Lloyds Bank arbitration settlement for managers has thrown the cat among the pigeons. This settlement provided increases of 3.2 to 8 per cent, backdated to last April.

Pay in the banks for all staff

above the four basic clerical grades—for which there are national negotiations—are handled domestically. Pay is roughly comparable from bank to bank for these domestically negotiated grades—ranging from specialist, senior clerical workers to top managers—and therefore the other four banks will probably want to make up some of the ground now lost to Lloyds.

This will not affect today's negotiations. What will have some bearing, however, will be any attempt by BIFU to regain some points from the staff associations.

In the competitive recruiting atmosphere of the banks, BIFU might feel that it has forcefully to pursue the elements of its claim which, in opposition to the staff associations, would reduce certain differentials.

### Satisfied

There is no sign yet that that will be the case. Last year, BIFU was satisfied in the end to accept pay deals which had improved differentials built in.

The union, however, through its relatively strong membership in the banks' computer services, has the power to make the banks' operations really difficult if it has the support of those members.

In a period of free collective bargaining, the banks are

hardly an firm ground to argue against giving substantial rises. Profits have been relatively enormous, the inflation rate is 18.5 per cent and rising, and increases in average earnings elsewhere are running at about 19 per cent.

Some union negotiators have seized on earlier statements by the Prime Minister that unions must negotiate on companies' ability to pay.

Mr. James Prior, Employment Secretary, has warned more than once that this should not be a carte blanche to the unions to grab big rises out of big profits.

Union officials view "free bargaining" in a very open way and most of the staff body negotiators say simply that the banks can easily afford a big settlement.

The banks might argue that last year's settlement, worth about 20 per cent, ran for only nine months; that this year has been very special for profit figures, and that the 5 per cent mortgage interest rate for new staff protect them from some of the increase in the RPI.

Increased profits will also mean higher direct payments under the banks' profit-sharing schemes. Some of that is no doubt true, but it is questionable how much weight it will have with union negotiators.

Present salary scales for staff outside London: clerical grade 1 (includes machine operators), £1,978 to £2,979. Grade 2 (includes cashiers), £2,494 to £3,139 with standard rate of £3,385. Grade 3 (includes securities clerks), £3,510 to £4,321 with a standard rate of £4,383. Grade 4, £4,114 to £5,681, with standard of £5,071.

There is also a Christmas bonus worth 2½ per cent of salary, and profit-sharing, which last year was worth a further 5 per cent of salary.

### Allowance

On top of that, all staff in London and the suburbs receive London weighting ranging from £823 down to £204, depending on nearness to centre, together with a London supplement ranging from £300 to £500. There is also a £181 allowance for staff working in selected large towns.

Overtime is worked at time and a half, double time on Saturdays and Sundays.

Managerial salaries vary from bank to bank, along with their job descriptions. The national minimum managerial salary is £7,617.

Managerial salaries at Barclays, for example, range from £8,600 to £10,300 for managers at small branches, £10,000 to £12,000 at medium branches, and £12,300 to £23,500 for the biggest branches.

# British Airways Club: not everybody can join.

British Airways Club offers you a rather superior form of travel to the USA, and to Canada, Paris, Hong Kong and Japan from April 1st.

But Club is not for everyone. It is reserved exclusively for those who have paid the full Economy fare to the Far East, or the Club fare to other destinations.

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# Technical Page

EDITED BY ARTHUR BENNETT AND TED SCHOETERS

## AGRICULTURE

### Saves on feeding costs

THE COSTLY and often lengthy process of rolling and drying grain in order to make it more digestible to cows can be replaced with a technique which has been undergoing practical trials for the last eight months under the aegis of the Agricultural Development and Advisory Service.

The treatment of grain with liquid caustic soda—as an alternative to drying and rolling—can cost only about £4.50 a ton. (Traditional methods average, say, about £5 a ton for rolling and up to £7 more for drying.)

Cereals can now be treated from harvest at high moisture levels (22 per cent) stored without drying, and fed without any physical treatment (such as rolling or milling).

Caustic soda grain treatment technique can be described as "chemical rolling" and the technique is a direct result of theoretical work by Dr. R. Orskov and his colleagues at the Rowett Research Institute, Aberdeen.

Applied to cereals in the correct quantity, the caustic soda extracts moisture and cracks the husk of each grain and, with whole-grain diets, results in digestibility levels as high, or even bigger, than those achieved with mechanical rolling.

Said to be the only machine currently available to safely and accurately apply caustic liquor in this technique (which so far has not been applied anywhere else in the world) is the applicator offered by Berwyn Farm Sales, 3 Union Street, Bath, Avon (0225 63062).

This consists of a hopper into which the grain is fed, and an auger in which grain and caustic are thoroughly mixed.

The internal mechanism for accurately controlling the introduction of liquor into the grain and the mixing process itself include several unusual design features in addition to ensuring safe operation, says the company.

Depending on the rate of feed into the hopper of the applicator and the moisture content of the

grain, throughput has been tested at rates as high as 20 tons per hour.

A fall-off in caustic will stop the machine, while a fall-off in grain flow will stop the pump and subsequently the supply of caustic.

The applicator is supplied with user instructions approved by the Health and Safety Executive, plus a complete set of protective clothing.

DEBORAH PICKERING

### Sun pumps irrigation waters

UNDER a UN project, Sir William Halcrow and Partners, acting in association with the Intermediate Technology Development Group as consultants to the World Bank, has placed orders for small-scale solar pumping equipment for field trial and laboratory test.

The objective of the project is to investigate ways in which solar pumping technology should be developed, in future, for small-scale irrigation use, so as to provide an economic, simple, robust, reliable and appropriate means of pumping water under the conditions which prevail on small farms in the developing world.

Field trials will be carried out in Mali, Philippines, and the Sudan, in close co-operation with the leading energy and agricultural agencies in those countries. They represent, possibly, the first independently conducted practical demonstration and comparative testing programme on the performance and reliability of small-scale solar pumps carried out under realistic field conditions in the developing world.

For the field trials, nine systems have been selected, eight photovoltaic and one thermal. Detailed plans for these trials in Mali, Philippines, and the Sudan are now in active preparation. Resident engineers appointed by the consultants will take up their posts in each country during March and will provide assistance to the institutions or agencies in each country which will bear primary responsibility for these trials.

Delivery of equipment is expected in late March or early April.

## MAINTENANCE

### Sucks up everything in site

HOT OR cold materials—ranging from liquids to slurries and sludge, from gravel and shale to coal, coke, even whole bricks—can be sucked up with equipment called Vacload, says Ailsa Vacuum Extraction Company, 14 Muriel Street, Barrhead, Glasgow (041-880 7177).

Full-scale production of these British machines has now started at the company's Barrhead factory and the first unit is a dual-purpose machine able to tackle liquids or solids whose wet or dry modes are selected at the flick of a switch. Later, the same principle will be extended to liquid waste vacuum tankers, says Ailsa.

Standard unit has a suction airflow of 2,500 cubic feet per minute—enough to lift liquids from depths of more than 100 feet. It is mounted on a typical six-wheel truck chassis and can carry up to 10 tonnes of waste which is discharged by means of tipping.

Front section of its purpose-built split body incorporates a filter chamber; rear section forms the main load-carrying vacuum chamber. Driven in the first production model by a six-cylinder Perkins diesel engine, the vacuum pump is contained in a neat assembly mounted on the front bulkhead.

Important feature of the machine, says the maker, is its high efficiency filtration system which uses special cellular fabric elements to ensure that only clean air is vented to the atmosphere.

Finished coatings possess flexibility and have excellent adhesion. It is durable, water-proof and relatively heat resistant. As powder coating involves no volatile or flammable solvents the provisions of the Health and Safety Act are easily met and serious fire risks eliminated.

Preliminary trials have shown that powder coating of chipboard by the Vercote process provides a satisfactory finish at low cost. Further details from Vercote, 94 Tuffnells Way, Harpenden, Herts.

The new process invented by Mr. Shaw, managing director of Vercote, and fully protected by patent pending, involves the pre-coating of the chipboard with a base which protects the substrate from the heat required for curing and provides a surface which makes efficient electrostatic spraying possible.

The Vercote process, which has been exhaustively tested using materials prepared by paint-makers Sonneborn and Rieck, requires only standard wood-finishing machinery.

Previous attempts have been made to apply powder coating systems to wood-based materials, but the high curing temperatures required have resulted in damage both to the surface of the substrate and to the bonding resins used in them. There have also been problems in using the electrostatic method normally used for applying powders.

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## PROCESSES

### Tough skin on chipboard

AFTER TWO years' development, a new process for powder coating chipboard has been proved successful.

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## SAFETY

### Protecting the ships

NAVIGATIONAL hazards and bad weather are accepted risks to shipping, but potentially more dangerous nowadays are problems associated with oil, gas and chemical transportation in that these may involve explosions in port, and pollution offshore, says The Welin Davit and Engineering Co., Dudley Road, Brierley Hill, West Midlands.

Safety measures require a prevention of oxygen accumulation in part-filled storage tanks and cargo holds, since in many circumstances the presence of oxygen presents a virtual powder-keg for fire and explosion.

Much of the risk can be reduced if tanks are charged with an inert gas to prevent the ingress of air as the cargo level changes. This inert gas may be derived from boiler fuel exhaust, gas turbine exhaust or by separate generator, all of which means are acceptable, provided the oxygen content of the gas induced does not exceed 5 per cent by volume in its make-up.

When situation readings of tank levels and temperatures are being taken, it is important that this inert gas seal is maintained to prevent escape of gas and volatile fumes during the gauging operation.

A special vapour control valve has been produced by Marine Moisture Controls of New York which enables the company's sonic portable gauging tapes—modified by the addition of a simple probe unit—to be entered to ships' tanks without any exposure of the cargo or break in the inert gas seal.

The valve is supplied for inclusion in tank openings of existing ships or as an integral part of new deck layouts. A gastight safety cap is provided for additional protection from weather-deck conditions, and the equipment (made from stainless materials) meets all the recommendations of the latest deliberations of the International Maritime Consultative Organisation (IMCO).

### Barrier takes the knocks

REMOVEDLY operated, a heavy-duty security barrier with cranked boom, for operating in applications where there is restricted bedroom, such as multi-storey parks, high security underground parks, entry to bullion lifts, or entrances used by cash-in-transit vehicles, is offered by Frontier Gate Company.

Powered by a hydraulic motor, the boom is built from 75mm square steel section and can be hinged at any point on its 41m length to suit the headroom available. The hydraulics derive their power from a 1 hp electric motor located in a

sheet steel lockable console with audible alarm. To prevent damage and minimise possibility of forced entry, steel protecting plates are fitted on either side of the boom hinge point.

Closing and opening speeds of the barrier can be varied by servomotor adjustment, to hydraulic valves. Control is completely automatic and can be from a remotely located security centre working in conjunction with CCTV or card access systems.

Frontier is at Tubeform Works, Cardigan Street, Birmingham.

## MATERIALS

### Facts about cosmetics

UP TO £100m is spent annually on raw materials from the chemical industry for the production of cosmetics and toiletries. This is the conclusion arrived at by Industrial Aids in its latest market report: The U.K. Cosmetics and Toiletries Industry and its Raw Materials.

Raw materials are studied under 16 categories and whenever possible quantitative information has been obtained from users in the industry and their suppliers. The raw materials investigated include anti-microbial preservatives, deodorants and anti-perspirants, dyes,

colours and pigments, fatty alcohols, fatty acids, glycerol and sorbitol, lanolin and lanolin derivatives, shampoo derivatives, shampoo surfactants, sunscreens, tae, thickening agents, thioglycolic acid and its derivatives and waxes. There is also a section on aerosol propellants.

Latest figures show that the 12 largest establishments, out of a total of 230, account for over half the industry's sales.

Copies of the report can be obtained direct from Industrial Aids at 14 Buckingham Palace Road, London SW1W 0QP. (01-828 5036). The cost is £600.

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System comprises an indoor fan coil console and an outdoor fully weatherproofed air cooled condensing unit, the two components connected by a simple system of refrigerant pipework.

These bonds have been sold outside the United States of America. This announcement appears as a matter of record only.

NEW ISSUE

March 12, 1980



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## FINANCIAL TIMES SURVEY

Wednesday March 12 1980

المكان الأول

## Corporate Finance

There are so many confusing elements today in the financial state of Britain's industry that an accurate diagnosis of the patient's health is difficult. If the benefits of North Sea oil revenues are excluded, however, it seems the outlook is for a period of careful nursing and convalescence.

## Oil masks troubled waters

By Barry Riley

BRITAIN'S INDUSTRIAL economy, perversely, is now groaning under the weight of the impact of North Sea oil. Not only is production scheduled to rise by about a fifth this year, but the price has gone up further than anybody can have expected. It looks as though well over £10bn worth of the stuff will gush up out of the sea bed this year, more than twice the value of 1979 production.

But only the oil companies get any benefit from this. Elsewhere in the company sector higher energy prices have to be financed. To the extent that the oil bonanza is stimulating the British economy, it is easier to pass the costs on to the consumer than it might otherwise be. This is not, however, a possibility that is likely to be of much comfort to the British manufacturing company which competes in export markets, or which faces imported competition in selling to domestic customers.

For the high level of the

sterling exchange rate which has resulted from the North Sea oil build-up has led to a massive leakage of demand overseas. While non-oil exports were up less than 3 per cent in volume terms during 1979, non-oil imports jumped by some 13 per cent.

There has been an alarming decline in manufacturing competitiveness, exaggerated still further in recent months; sterling has recovered from last autumn's dip at the same time as wage inflation has accelerated. The Confederation of British Industry (CBI) calculates that by the end of February unit labour costs in manufacturing relative to those of our main competitors were almost 40 per cent higher than the average level of 1975.

This squeeze on manufacturing companies is being superimposed upon a cyclical recession in the UK economy which would anyway have caused serious liquidity problems. There is a chilling precedent in the 1974 financial crisis which followed a big oil price rise, and coincided with an acceleration in the inflation rate towards (and subsequently through) 20 per cent.

The 1974 crisis was of course notable for its catastrophic impact on an overblown property and financial sector. But there was a savage squeeze in most areas, and the industrial and commercial company sector was plunged into its worst recorded financial deficit of £4.6bn (about 5 per cent of Gross Domestic Product).

By 1975, however, the sector

had managed to trim the deficit back to a modest £1bn. Profits recovered a little, but the main reason for the financial improvement was that stocks and work-in-progress were sharply trimmed back. This still left balance sheets uncomfortably illiquid—but listed companies seized the opportunity of a buoyant stock market to raise around £1.25bn in rights issues. This figure has never been equalled since even in money-let alone real terms; rights issues in 1979 totalled a mere £800m.

## Weakness

Recently company profits have been showing signs of similar weakness. In the first nine months of 1979 gross trading profits of industrial and commercial companies, net of stock appreciation, rose by 9 per cent. But the underlying trend was masked by the build-up in North Sea profits, which represented as much as 27 per cent of the whole by the third quarter. Excluding oil, company profits fell by 5 per cent.

The sector's financial deficit has also worsened (though somewhat erratically, because of the varying incidence of industrial troubles). For the January-September period last year, the latest for which statistics are available, the deficit is estimated at £3.7bn. This was much higher than the £2.2bn recorded for the whole of 1978. Yet at around 3 per cent of GDP it was still not nearly as serious as for 1974.

But what has happened since then? It takes almost four months for the Central Statistical Office to collate all the financial data on the company sector (and the subsequent revisions are often substantial). We shall not know the figures for the December quarter until late next month.

The signs are, however, grim. One crude indication is that wholesale prices, despite their recent acceleration, have continued to lag behind both raw material costs and average earnings. Another is that the demand for bank loans has been very strong. Sterling lending to the private sector roughly doubled to £9bn or so last year, and recent indications are that although personal sector demand has been easing, companies are borrowing heavily.

In the banking month to mid-January banks lent as much as £2.07bn to UK private sector customers in sterling. This was £1.3bn more than the seasonal expectation. Clearing bankers report that corporate customers are drawing heavily on their overdraft facilities.

The current squeeze is being aggravated by the Government's tight money policy. Since last November, clearing bank base rates have been at an all-time record high level of 17 per cent. Even in 1974 base rates were never higher than 13 per cent. The high money rates amount to a further heavy burden on profits, for all but the minority of companies with surplus liquidity.

Consequently it seems inevitable that the company sector's

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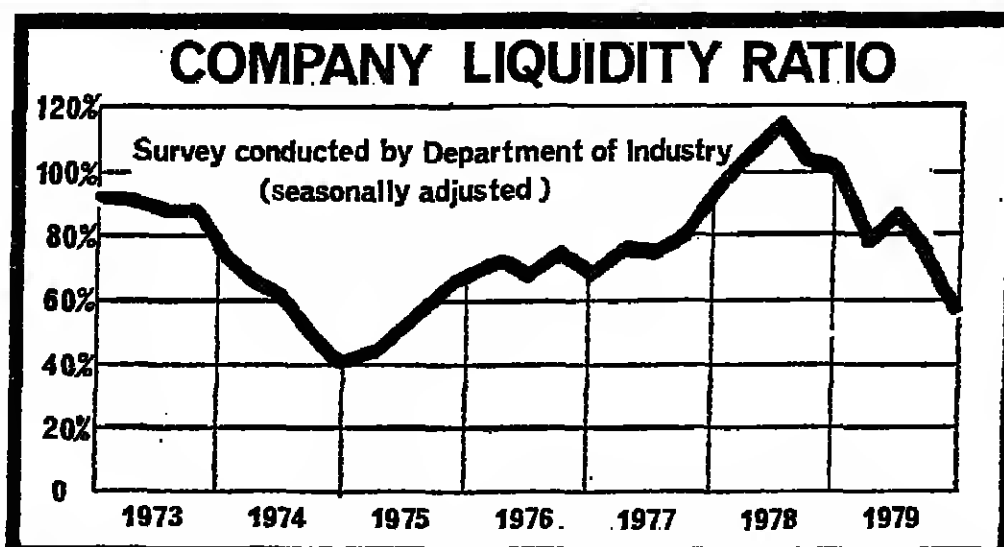
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financial deficit will rise. Forecasts like the CBI and the London Business School are talking in terms of a deficit close to £7bn for 1980. At roughly 4 per cent of GDP this would still not be quite as bad as in 1974.

Yet the property and construction sector is not so vulnerable this time around. Moreover North Sea oil could be showing a small surplus, in contrast to the deficits it has generated in recent years. So for manufacturing companies the strains could be as bad as, or worse than, any suffered in the last major squeeze.

## Tightened

The financial screws are being tightened partly because the Government is attempting to reduce the growth of the money supply back into the target range. Officially, sterling M3 is only supposed to be growing at 9 per cent a year, give or take two percentage points. But for



most of last year it was growing at an underlying rate, allowing for distortions, of more like 14 per cent.

Bringing the money supply back within the target range by next October, which is still notionally the Government's objective, will permit very little growth from now on. Moreover the banks are deep into the penalty zones of the banking "corset" controls. Not only does this mean that credit is going to continue to be very expensive (hopes of an early cut in rates have been mostly abandoned in the City) but it is also going to be scarce. The banks will, of course, honour existing commitments, but they are going to be very sticky about the provision of new facilities.

According to the Department of Industry's survey of company liquidity, the ratio of current assets to current liabilities has already been declining for the best part of two years. This liquidity ratio, which is calculated quarterly on the basis of information from roughly 220 companies, shows a clear cyclical pattern. There was a marked trough at the end of 1974, at a level of around 40, and then a strong recovery to an eventual peak of 138 halfway through 1978. By the fourth quarter of 1979 the figure was back down to little more than 70, the lowest level since mid-1975.

But this is still far from being a critical position, something which is confirmed by stockbrokers Phillips and Drew, who for some years have been keeping track of the aggregated balance sheet structure of large companies. They calculate that

net gearing (net debt as a percentage of capital employed) reached a peak of 26 per cent at the end of 1974. Gearing then eased to 18 per cent by the end of 1978, but is likely to have risen to 20 per cent by end-1979.

Further pressure on gearing levels is expected, but it looks from various recent statements by companies that finance directors have learnt a good deal from the 1974 squeeze. Many companies appear to be anticipating events, and are shedding loss-making activities at an early stage.

## Specific

Besides looking at specific trouble spots, companies can also take general measures in several areas. The most obvious moves concern the level of stocks, into which industry put some £3.8bn during 1979 of which roughly £8.5bn represented higher costs and prices and the rest volume. In the final quarter manufacturers were already starting to cut back their inventories in volume terms, but the overall effect was more than offset by a pile-up of stocks at retailers.

Since then there have been signs that the distribution chain is still blocking attempts by manufacturers to destock. The rate at which this destocking can proceed will largely determine the timing of any easing of financial pressures within the economy.

Another area for intense scrutiny will be capital investment, which reached some £14.8bn last year. It is much more difficult and disruptive to reschedule fixed investment

programmes, however, than to adjust stock levels. Still, a drop in real terms of about 5 per cent is widely expected this year.

Finance directors will also be thinking keenly about the question of access to the capital market—with which is bound up in the question of dividends. The rights issue boom of 1975 could provide the precedent here—and certainly the investment institutions will have a big cash flow available in put into equities if the Government succeeds in holding down its borrowing requirement over the next year or two.

In recent years, however, a number of companies appear to have used new issues to pay off excessive debt rather than to finance profitable new investment. Shares have often performed poorly after large rights issues. There is also the question of current cost accounting, which is likely to become compulsory for listed companies over the next year or two, and which will show the results, and dividend paying capacity, in a much less flattering light.

Ironically, the first full year of dividend freedom since 1971 is likely to see many companies cutting their payments rather than taking advantage of the ending of restrictions. Companies like Carrington Virella and Alcan Aluminium (UK) have already shown the way. But many boards will be reluctant to be too hasty in this respect, having an eye to the possibility of improved prospects for trading within a year or two, and the accompanying chance of recourse to the equity market.

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## CORPORATE FINANCE II

## More sources of export finance

THE TWO changes in export finance announced last month are likely to have a significant impact on the exporting activities of British companies—at both ends of the scale.

The first was the new arrangement reached between the Treasury, the Export Credits Guarantee Department (ECGD) and the clearing banks on fixed rate export credits which finance exports sold on credit terms of two years and over. The second was the increase in some of the additional premiums which exporters have to pay for the ECGD bank guarantees which theoretically enable them to raise finance at preferential rates.

The impact of the first will be on exporters of engineering equipment and capital goods. These account for only 13 per cent of the exports insured by ECGD but involve virtually all those in the key project business. The second change will hit small exporters and others involved in continuing business sold on "open account" or on a "bills and notes" basis. These exports, sold on short-term credit, account for about 25 per cent of ECGD policyholders.

Under the new arrangements with the banks ECGD will cease to reimburse (reimburse) the banks any of the sterling funds which they provide as fixed rate export credits. At the same

time the credit business has been opened up for the first time, to a wide range of financial institutions other than banks. The aim is to reduce public expenditure and is expected to produce "savings" of between £300m and £400m over the next five years.

In itself this move has no direct impact on exporters but in the longer term it could well have a marked effect. If all the eligible institutions—and they have still to be precisely defined—do participate, then sterling funds should be freely available. If they do not, it is possible that the supply may become tighter, given the existing pressures on bank lending, with a consequent increase in the cost of funds.

## Competition

But assuming that the sources of finance will increase, then the already keen competition for this risk-free lending will become more intense and the charges paid by the borrower smaller.

The rate of interest will continue to be the same, at least for the time being, as ECGD will continue to subsidise the rate so that the borrower pays only the fixed rate set by the OECD guidelines. But the bank is ensured, a commercial return. This is a fixed rate

of 1.25 per cent above London Interbank Offered Rate (LIBOR).

The competition will therefore be in the fees which banks charge for arranging and managing the finance. These have already dropped sharply over the past two years or so since foreign banks have been able to participate and manage. In some cases fees have been waived altogether in the battle to secure the business.

In the short term this is obviously to the exporter's benefit as he or his buyer is able to arrange the necessary finance more cheaply making his bid more competitive. But in the longer term the exporter may find that fees have become so de minimis that banks will be less keen to become involved in the time and cost-consuming jumbo projects where often in the past their partnership with the exporter has been crucial in winning contracts. So while the funds will be available more cheaply, the services that now go with it may not be. A two-tier system could well develop whereby the exporter requiring these services will have to pay an additional fee.

The fees charged by the banks vary from deal to deal and can also be constructed in a variety of ways. But there are generally three components,

though there is now a tendency to incorporate them in one fee. There is a flat commitment fee, a smaller flat negotiating fee and an annual management fee. About two years ago these were one per cent, one per mille (10p per £100) and 1 per mille respectively for sterling finance and about half these levels for foreign currency (dollar) credits. Since then these rates have been halved in the case of dollar business while those charged on sterling finance have been reduced more sharply to the extent that they are now lower than those charged on dollar financing.

## Dropped

On several deals one or all of the fees have been dropped altogether and there have been instances where banks which have been involved in a deal throughout negotiations have lost the business in the final stages when another bank has stepped in, offering either lower fees or dropping them altogether. More often than not it is the management fee which is dropped, though sometimes all the fees, including the commitment fee, are.

As a result banks are becoming more selective about becoming involved in project business as it becomes more cut-throat, so that exporters may well find it more difficult

to raise the necessary finance. In addition the premium on cost escalation cover is to be doubled from 1 per cent to 2 per cent of the eligible contract value, usually between 70-75 per cent of the total.

While there is thus a somewhat mixed outlook for capital goods exporters export finance for those at the smaller end of the business is becoming more and more costly. Apart from the high sterling interest rates—and the bulk of UK exports are sold in sterling on cash or short-term credit and financed through straight overdraft at a rate of between 1 and 3 per cent above base rate—exporters selling on open account or to associate companies or to notes basis will pay double the premium for an ECGD bank guarantee.

From April 1 next the premium for the comprehensive bank guarantees which cover this type of business will be raised from 55p to 50p per £100 of the exporter's agreed borrowing limit. This will be the third time in three years that premiums on comprehensive bank guarantees have been raised.

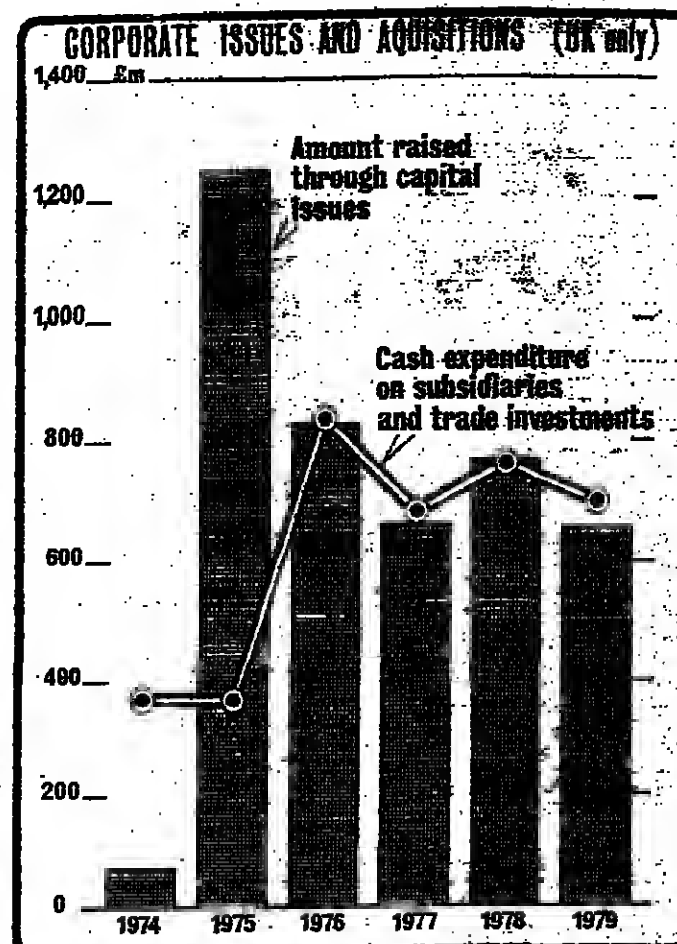
On previous occasions this has been accompanied by an increase in normal ECGD credit insurance premiums, currently set at 34p per £100 plus an annual premium based on turnover. Though there is to be no

increase in these premiums for the time being they are under review and some increases are inevitable given the current high level of claims which ECGD is having to meet.

So where ECGD premium rates were once generally lower than those of competitors—the 1977 rise was the first since 1960—they are far less competitive now and in some instances are said to be considerably higher than those of some European competitors.

Such are the levels of bank guarantee premiums at the short end of the business that banks report a visible tendency over the past year for the more creditworthy companies to use straight overdraft for continuing business without taking out an ECGD guarantee. The guarantee enables them to borrow at 1 per cent above base rate but after taking into account the ECGD premium plus the handling fee charged by the banks where there is an ECGD guarantee, which can be anything up to 25 per transaction, borrowing at 1 to 1½ per cent above base rate is often cheaper. This is less the case for exporters with a lower credit rating, who may have to pay up to 3 per cent above base rate, but the advantages of the ECGD guarantee are becoming decidedly slimmer.

Margaret Hughes



N.B. The amounts raised through capital issues are net of debenture and preference share redemptions

## Rights issues continue to find favour

LAST YEAR British companies raised around £800m additional capital through rights issues—exceeding a £150m BL issue taken up by the National Enterprise Board. Preliminary expectations are that roughly the same volume of money will be sought this year.

For the most part shareholders seem content with whatever their board has to offer them by way of a prospectus: news of a specific acquisition in mind; the advantage of lower gearing; the prudence of increased reserves to finance growth.

With the corporate sector's net borrowing requirement likely to stand at £7bn this year, against perhaps £5.9bn last year, and an actual £2.4bn in 1979, the continued popularity of rights issues will be a welcome thought in many board rooms. Out of last year's 99 issues only eight were less than 50 per cent subscribed.

The pattern of rights issues over the past six years seems to fall into two distinct phases—the first covering 1974-75, the second 1976-78. The collapsing market in 1974 made it extremely difficult for all but the strongest companies to raise rights money. Issues totalled only £128m for the year. When strength returned in 1975, companies shut out the previous year rushed back by the dozen, anxious to restore decidedly fragile financing with what were effectively recapitalisation issues.

Since then, in less volatile markets, the trend has been for money entering the market through capital issues plus (or minus) preference and debenture issues and redemptions roughly to equal money leaving the market through cash acquisitions (see chart above).

The net cash outflow from the market in the first three quarters of 1979 was particularly marked in the third quarter, when issues totalled £53m, against acquisitions of £281m. The cash element of bids by GEC for Avery and Racal for Decca, plus the £150m "creeping" purchases of Consolidated, suggest that the net cash outflow has been continued since then.

## Credence

On this basis one might expect to see a greater volume of rights issues in the current year. But there is some credence given among corporate financiers to the theory that a significant factor in the current fragile strength of the market is the net cash outflow from acquisitions being immediately re-invested by institutional buyers. The cash-seekers may for this reason have to tread gently.

While amounts raised through rights issues have remained broadly comparable over the years since 1976, their distribution within the year tends to follow the strength of the market. This tendency to seek new capital on a strong share price has led to some suspicion of rights issues as being an occasion on which finance directors seek to outflank shareholders by selling them more shares at an inflated price.

In theory, of course, such questions should never even arise, because of the common interest hindering together directors and shareholders in the jointstock company. In practice they all too frequently do. To some Boards, shareholders seem to appear as little more than a source of money which may or may not be cheaper than the bank.

Generally, companies will be advised by their bankers to go for a rights issue when both

the share price and general prospects indicate immediate strength. Where a specific amount of money is sought by the company, a rights issue at a high share price has the advantage of offering less equity dilution. But an unusually high share price may be nullified less satisfactorily by companies as an opportunist way to raise money at an artificially low cost in terms of dividends and earnings dilution.

One of the darker shadows recently cast over rights issues comes from a study published last year by stockbrokers Wood Mackenzie. It reviews the performance of 16 major companies making rights issues between 1975 and 1977. Only two achieved any relative share price strength over a period of at least two years from the ex-rights date.

A more plausible reason is that the capital raised through a rights issue will be for major investment which will be absorbing much of the company's resources, both financial and managerial. Such investment is unlikely to show returns in less than, say, a five-year period.

In recent years there have been instances where it has been impossible to avoid the feeling that companies have raised money too readily because it has been such an easy thing to do. Beecham, for instance, raised £25m in 1975 when it had £24m net liquid assets on its balance sheet. It did not want, apparently, to repatriate overseas funds—though with hindsight this might have been quite a good idea.

Likewise, Grand Metropolitan's £80.5m rights issue in June last year was not made out of any immediate need. The company could finance capital spending out of cash-flow. The rights issue was to put cash in the bank in case any suitable candidates for acquisition came within reach.

Admittedly, Grand Metropolitan, the only company on Wood Mackenzie's table to register outstanding success, made good use of rights money raised in 1975. This time round, the market was happy to trust the company with more.

But from the lower-profile companies, whose rights monies do not go into pubs and hotels, but into rather more difficult-to-see areas of the balance sheet, more information would be desirable. Shareholders will go, and what rate of return the Board expects to see from it. They might also hope for some indication of medium-term prospects for the company in general.

For the moment, institutional investors seem happy to take up any rights coming their way, in order to maintain equity weighting. Small private shareholders in turn seem prepared to support their Boards—though the presence of a large cash-strapped private shareholder can act as an effective damper on rights issues for small companies. But if preliminary indications that share price weakness are borne out, then the future may not be so cosy.

Robert Cottrell

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## Slow reaction to foreign exchange freedoms

LAST YEAR'S abolition of exchange controls has provided corporate treasurers with an unparalleled opportunity to reorganise the international side of their financial operations. It seems fair to say, however, that many companies are still a long way from taking full advantage of the changes.

There are several reasons for this—including a perfectly justifiable preoccupation with the present severe credit squeeze, the strength of sterling and general retrenchment ahead of the economic downturn. After 40 years of controls, caution is still very much the watchword as companies feel their way into a new regulation-free era.

The phasing out of controls last year came in two stages. Restrictions on direct investment overseas and repatriation of profits were dropped in June and July, a prelude to the full sweeping away of controls announced on October 23.

The first stage gave companies the chance of carrying out longer term strategic restructuring of their overseas investment and foreign currency debt. The further steps taken in October, on the other hand, allowed them to make adjustments of a more tactical nature in day-to-day management of liquidity balances and handling of foreign exchange.

In the first area, companies have responded primarily by running down their foreign currency debt rather than by taking out fresh loans to finance new investment.

The trend towards retrenchment has partly been a result of general caution about expanding

overseas at a time when an international recession is just around the corner. Many British multinationals also make the point that the abolition of controls will not make much difference to their general overseas investment strategy as they had nearly always been able to obtain funds for foreign expenditure in the past. But the hurry to repay foreign loans was also prompted by forecasts that the pound would weaken as a result of exchange control abolition—a misreading that has left some corporate treasurers with egg all over their faces.

### Barred

Before last summer's relaxation of the rules, companies were barred from using sterling borrowings to finance overseas investment. In addition, they were severely discouraged from making premature repayment of foreign debts by a system of penalties levied on such payments by the Bank of England. These regulations were a relic of the period of official encouragement of overseas borrowings when the Treasury and Bank of England were trying to bolster the reserves during the mid-seventies.

Many foreign currency loans, taken out at a lower nominal interest rate than domestic levels but in currencies that tended to appreciate, turned out to be prohibitively expensive—particularly those in Deutsche Marks and Swiss francs. So finance directors' first move after the summer relaxation was often to cut their losses and pay off outstanding loans, frequently taking out sterling

finance to cover the operation. Since the repayments were made sterling base, of course, been far stronger than many analysts had predicted, buoyed up by high UK interest rates and Britain's North Sea oil revenues.

Corporate treasurers have thus been admitting somewhat ruefully over the past few months that had they let currency loans run through rather than repaying them, they would have profited not only from a longer period of low interest financing but also from the capital appreciation of the pound during that time.

In the second fundamental area of change—cash and foreign exchange management—companies have far greater scope for innovation now that the old controls have gone. The strength of the pound, which has prompted treasurers to keep funds on deposit in sterling rather than switching into currencies, as well as the parlous liquidity position of the corporate sector, have discouraged many companies from becoming too adventurous.

But there is no doubt that over the next few years companies with a large amount of export/import business will be putting their international cash handling operations on to a far more efficient and professional footing.

Before the sweeping measures of last October, life was made simple by the existence of controls. These laid down, for instance, that imports could only be paid for once customs entry had been confirmed; covering forward purchases of currency could be made only six

months in advance. Similarly, exports had to be paid for within six months and remittances immediately into sterling; and forward sales of currencies could be made only for periods of up to six months, apart from special cases.

Now formal constraints have been removed. As a result, the range of possibilities for managing and preparing for incoming and outgoing payments is limited only by the imagination, expertise and personnel resources of the individual corporate treasury department.

### Courses

Mr. Anthony Chambers, an adviser on corporate finance at First Chicago, produces a list longer than his arm on the possible courses of action:

- Currencies can now be held indefinitely, either on deposit to maximise capital gains in an appreciating currency and/or interest, or else in a pay-and-receive account to meet a payment of that currency due in the future;

- currencies can be switched freely from one account to another;

- bills in one currency can be paid from an account denominated in another;

- currencies can be purchased and placed at any time to give greater flexibility than the forward market allows. Previously, payments had to be made at the fixed maturity of the forward contract, or else the proceeds of the contract had to be converted to sterling. A policy of holding currencies available for future payments allows the timing of the actual transfer

of funds to be kept flexible, maximising the cash flow advantages;

- imports can now be paid for in advance. Such payments, taking advantage of trade discounts, can be used to reduce currency exposures and costs—particularly when the trade discount is greater than the cost of borrowing in that currency;
- companies can borrow indefinitely against the security of future export receivables in foreign currencies. Especially when foreign interest rates are markedly below UK levels, this can result in a large interest saving without the exchange risk that would otherwise be associated with this kind of borrowing;
- currency loans can now be taken out and repaid at any time, according to fluctuations in foreign interest and/or currency rates. This allows companies a considerable amount of flexibility in achieving savings on both interest costs and currency exposure. For instance, if a UK company had been astute enough a year ago to take out a revolving bank credit in Swiss francs or Deutsche Marks, sterling's firmness allied to the far higher level of UK interest rates over that time would have brought considerable benefits. Even though sterling is now looking less solid against the harder European currencies, companies can still take out foreign currency finance and—by keeping a round-the-clock watch on exchange rate movements—repay the loan as soon as currency rates start to move to the borrower's disadvantage;
- UK customers can now be involved in foreign currencies as well as sterling—which can be of great importance when products are being imported from hard currency countries or when goods are being sold with a high import content.

A straw poll of leading British companies reveals that, for the moment, treasurers are moving away only very slowly from thinking purely in sterling terms. But if they follow the advice of the stream of international banks and currency advisers now jostling for their attention, it will not be long before they are fully acclimatised to a multi-currency world.

David Marsh

## Demand for bank credit embarrassingly high

WHATEVER THE problems of operating in the troubled financial environment of the last year, British bankers cannot claim to have been short of business—and profitable business at that. Bank lending to the UK private sector, much of it overdraft, the most basic form of corporate finance, has been exceptionally strong.

As a result, the Government's monetary target has been overshoot and the banks have run into difficulties with the "corset" control scheme operated by the Bank of England which imposes penalties for excessive growth in banks' interest-bearing eligible liabilities. But the clearing banks, with their wide access to cheap current account funds, have enjoyed a profits bonanza as interest rates, and hence the profit margin on their lending, have risen steadily.

In the UK, as in North America, recession has been forecast for over a year, and it has been generally expected that the demand for credit would weaken. The coming to power of a Conservative Government committed to running a

tight monetary policy merely confirmed the impression that recession was imminent.

But credit demand has resolutely refused to die down, with embarrassing consequences for the Government. The fiscal monetary balance of the 1979 Budget required a slowing down of bank lending if interest rates were to be brought down. But a surge of lending in the October banking month took sterling M3 growth above the 7 to 11 per cent annualised target and compelled the Bank of England to raise Minimum Lending Rate by three points to 17 per cent in order to resume sales of Government stock. Since then, sales of stock have run at a very high level, but monetary growth is still above target.

Not only the Government has been embarrassed. The banks themselves made little attempt to turn away borrowers last summer, as they assumed that credit demand was about to slow down of its own accord. In the event, though, there has been further heavy drawing on overdraft facilities—determined at the borrowers' de-

mand, and therefore very largely outside the banks' control. This has brought a sharp increase in the banks' liabilities over the winter and puts them into the second and third penalty tranches of the corset. At this stage very large deposits have to be placed with the Bank of England, with the result that marginal lending becomes unprofitable.

### Unusual

The combination of circumstances that has produced this persistent need for additional bank finance is unusual. The British corporate sector has fallen victim to a severe financial squeeze—compounded by the strength of sterling, which increases competition from imported goods. This has put pressure on profit margins at a time when the costs of labour and raw materials, especially oil, have been running out of control.

Along with higher working capital needs, higher interest costs have cut into cash flow. And most companies have been bearing the burden of heavy

capital spending plans, which they have been unable to cut back—or postpone—this in itself has been a contributory factor to the continued high level of economic activity. So the financial deficit of the corporate sector has grown relentlessly, and the banks have been called upon to cover it.

Now that the peak of economic activity is well past, the demand for bank finance has a slightly different character, although it is as strong as ever. In the January banking month, the banks lent more than £2bn to the private sector, taking the 12-month total of new credit advanced up to £8.86bn. The high January figure reflects the debiting of interest charges at the new high rates, and the heavy tax payments which many companies will have financed through borrowings. The surplus that the public sector is running during the present January/March quarter will inevitably find its counterpart in a higher private sector deficit. On top of all this, companies—particularly retailers—have been caught with stocks too high as demand for goods has fallen.

It now seems possible to hope that once the demand for funds linked to this involuntary stock-building is out of the way new bank lending may begin to slow down as the tax-gathering season ends and the public sector's finances move back into deficit. The very high interest rates charged since November should by now be having a deterrent effect on borrowing, even though past experience suggests that new debt formation by the UK private sector is astonishingly unresponsive to price.

However persuasive the arguments that new borrowing, and hence pressure on the banking system from the corset controls, will soon begin to ease, the banks have been increasingly calling for the corset to be scrapped to relieve them of their present discomfort. They seem recently to have run out of ways of avoiding the corset pressures—curious antics over the monthly make-up day, when the banking figures are drawn up, had become a matter of course by mid-1979, and a good deal of lending was channelled through bank acceptances placed outside the banking system, which are not counted as part of sterling M3.

The trouble is that if the corset were removed, much of this acceptance "leak"—which reached £1bn in five months last summer—would flow back into the banking system and sterling M3 would jump by an extra 2 per cent, with embarrassing all round. The corset has serious limitations as a device for controlling credit, given the ease with which it can be evaded for several months, and the unedifying game of cat-and-mouse played between the banks and the authorities has contributed nothing to the success or the credibility of monetary policy.

Martin Taylor

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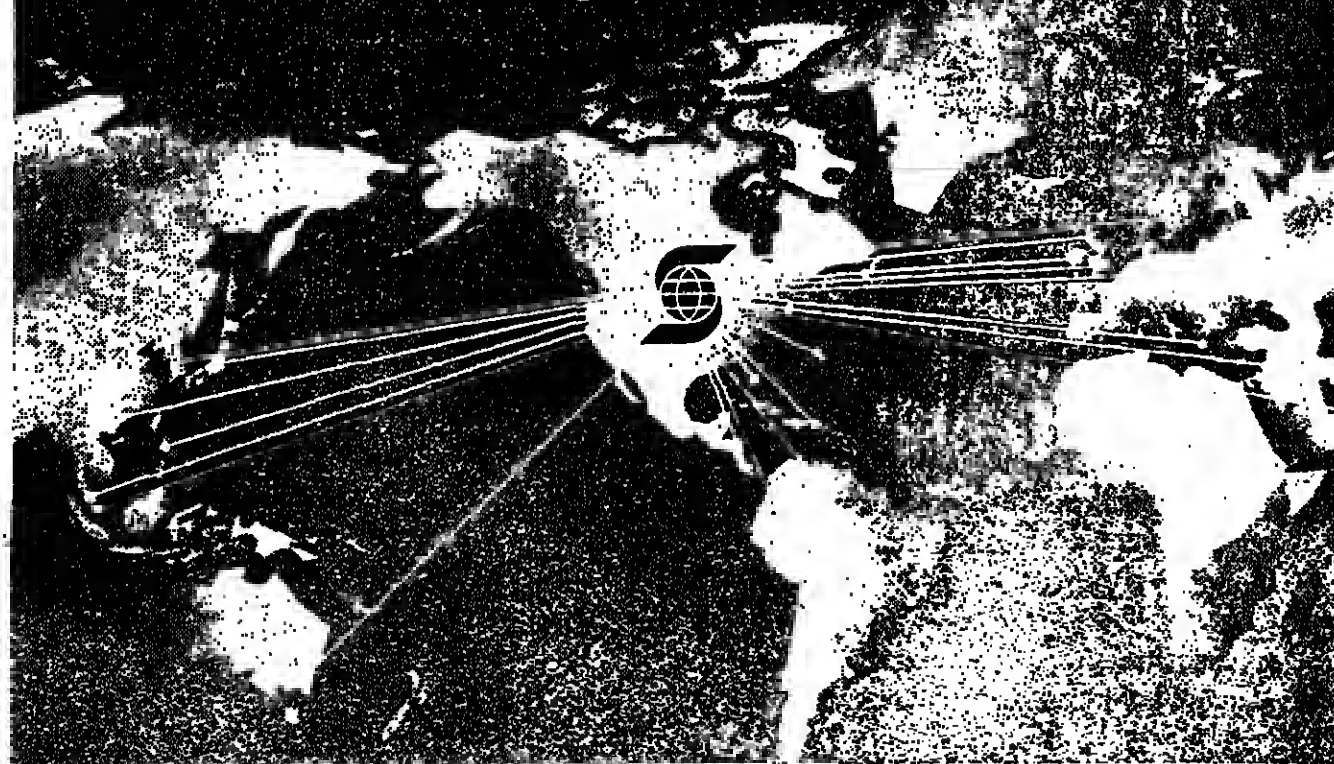
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## CORPORATE FINANCE IV

# Mercantile Credit gets ready to serve the chips



One of the strongest arguments for industrial leasing has always been that it made much more sense than locking money up in deteriorating assets.

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THE BOLD entrepreneur nowadays enjoys more potential sources of equity and loan finance than ever before. It has become a regular event for private sector organisations and consortia to announce their entry into the field of providing finance for small and medium-sized companies.

Last month, for example, Pilkington announced that it was teaming up with the Prudential Assurance, BP and the Industrial and Commercial Finance Corporation to provide venture capital for new small companies. On the face of it, this enthusiasm may seem surprising. Competition among willing investors is already tight, the current level of interest rates can hardly be a spur to setting up new companies, and the much trumpeted decline of British industry is affecting small and large companies alike.

The Government has expressed its support for the small company and has certainly been striving to encourage greater entrepreneurial spirit, but has so far done little in practical terms to stimulate investment in the small unit. This month's Budget could, however, contain tax concessions for both the investor and the manager.

The City may have been prompted into action by the setting up of the Wilson Committee, though the appearance of increasing activity could be in part illusory. Clearing banks, for example, have established subsidiaries to handle venture

capital business which was previously arranged at branch level. Their help for small companies is as a result more visible.

A significant shift has been detectable, however, among the investing institutions, perhaps because of the failure of either fixed-interest or blue-chip securities to keep pace with inflation over the past few years. In the last annual report of Electra Investment Trust the chairman, Mr. B. P. Jenks, said: "Your Board has adopted a policy of switching out of market leaders into smaller companies where it believes there are unrecognised opportunities for either growth or, in certain cases, recovery." Though unusually committed to this strategy, the Electra stance is by no means unique.

### Strengthening

An important factor in the proliferation of financing opportunities has been the growing aggressiveness and sophistication of the investing organisations themselves. The strengthening of competition has obliged them to market their services more effectively and to respond with more subtlety to the individual needs of particular companies.

Furthermore, in making their services better known they have also assuaged any apprehension among many entrepreneurs that control of a successful project will pass to powerful institutions. While the degree of involvement in day-to-day administration varies widely,

none of the major investors in the field normally seeks to take a controlling interest in its ventures.

The arrangement is often of mutual benefit. The entrepreneur has access to institutions which are prepared to take risks, have experience of the problems of small companies and will, if requested, remain at arm's length. The expense of a stock market quotation and the difficulty of winning over the sceptical and conservative branch manager of a clearing bank have both been obviated.

At the same time the investor is offered the chance of significant capital gain through a minority equity stake while limiting his risk through a broad portfolio and the acceptance of loan stock as well as equity.

The undoubted market leader among these specialist investors is the Industrial and Commercial Finance Corporation (ICFC) which defines its main activity as providing capital, financial advice and other services to small and medium-sized companies. In practice, ICFC concentrates on the small company; its average investment is around £160,000.

ICFC is a subsidiary of Finance for Industry, which is backed by the clearing banks and the Bank of England. It operates through a network of branches in the UK and, having approved an investment, does not as a rule seek to put non-executive directors on the board.

Perhaps because of its emphasis on smaller projects, ICFC becomes frequently involved in "start-ups" where the initial working capital is provided. It has also found increasing demand for "management buy-outs" where managers of small divisions of major companies use ICFC finance to buy the operations from parent groups.

### Co-operation

This is always achieved with the co-operation of the former parent, which helps with technical problems and often continues to buy services or goods from the newly independent company. Last year ICFC made 700 investments, including 112 start-ups and 20 buy-outs. The comparable figures this year are expected to be 1,000, 250 and 50. While the overall level of business is increasing, the buy-out phenomenon is clearly showing the strongest growth, and the trend is borne out by others in the venture capital field.

The ICFC itself finds it hard to explain the sudden emergence of this rising demand. It may in part derive from the concentration by major companies on main-stream opera-

tions at the expense of fringe activities. Equally, however, it is sometimes the product of an international company's decision to move out of the UK or of a retiring proprietor's desire to sell his business.

Another investor is Equity Capital for Industry (ECI), which gravitates to the opposite end of the spectrum by seeking out larger companies with market capitalisations of up to £40m. It has opened files on some 700 companies but has backed only seven, one of which has gone into liquidation. The failure of this project has perhaps made ECI a little cautious but, for whatever reason, it has failed to meet the aspirations of its founders.

This may in part be because its eminent board of City directors was initially divorced from the needs of small provincial companies. It is, however, questionable whether, in seeking out larger companies, ECI is fulfilling a function which could not be served by the stock market.

In the middle range between ICFC and ECI lies a group of specialist organisations including Gresham Trust and Charterhouse Development. Both these companies reserve the right to put a non-executive director on the Board and generally exercise it. Partly for this reason, they seek out a modest number of medium-sized companies and thus avoid placing excessive strain on their own management resources.

In addition, the expense needed to research proposals in depth prevents them from spreading their wings too broadly. Mr. John Bowman, managing director of Charterhouse Development, says the optimum investment is around £500,000. While increasing competition within this specialist area has made attractive propositions harder to come by, both companies have found that the amount of funds sought per investment is increasing. They are therefore able to maintain their growth even when the absolute number of applications is stagnant or declining.

Neither Gresham nor Charterhouse specialises in high-risk start-ups, ploughing the bulk of their investments into companies with at least some track record. Mr. Peter Wreford, chairman of Gresham, says he is prepared to look at a start-up proposal but prefers applicants who have already proved their particular expertise with a larger organisation.

Similarly, neither is attracted to high-technology projects, an area comprehensively covered by Technical Development Capital, an arm of ICFC. Mr. Wreford points out that while his directors are qualified to give marketing or financial

advice, they are not equipped to advise on high-technology products.

In a similar category are Estates Trust Investment Trust (ESTIT), which is managed by ECI, and Subguard Industrial Investments, managed by London and Yorkshire Trust. Both organisations provide funds for companies which might formerly have been driven to the stock market by their capital requirements. By obtaining the necessary funds from ESTIT or Subguard, shareholders of private companies are spared the need for a flotation.

### Bandwagon

The clearing banks have also been jumping on the small company bandwagon. Midland Bank, for example, assists privately-owned companies through Moresort, an equity finance organisation set up jointly with the Prudential and the British Gas Central Pension Fund. Moresort is aimed at fairly sizeable companies, but Midland has another vehicle—Midland Mortgage Industrial Finance—for the £50,000 to £250,000 investment range, and a third—Midland Industrial Investments—for slightly smaller ventures.

Several investment trusts have also turned over the past few years to small listed and unlisted companies. The potential capital gain is often considerable but there are drawbacks. In the case of companies which are still developing a product there can be a long wait before dividends are paid and it is expensive to investigate this kind of opportunity. Furthermore, the shares are generally difficult to market and, in the case of unlisted securities, their value is hard to assess.

Finally, there is a small breed of adventurous companies which specialise in high-risk projects. Norton Warburg Investments, for example, has only 100 shareholders who, for a minimum subscription of £10,000, are offered a portfolio of around 10 companies ranging from the Chelsea Pizzeria Factory restaurant to producers of burglar alarm detectors and developers of an art reproduction process.

Taken together, these organisations cater for the requirements of small and medium-sized companies in a way which would have been unthinkable even five years ago. None-the-less, there are still gaps—notably for the larger high-technology venture. Thermo-skyships last year fought a long and uphill battle to raise the finance necessary for its development programme.

John Makinson

## 'It was like Oliver Twist in reverse, Mr Wagstaff...



Wagstaff reflected on the novelty of it all.

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## Reduced scope for Enterprise Board

THE NATIONAL Enterprise Board (NEB) is now beginning to emerge in its more restricted role following the changes in its functions generated by the Government following last year's general election. It has begun selling off its major assets and is developing new policies for its remaining areas of intervention in the private sector — helping small and medium-sized companies, mainly in the regions and in areas of high unemployment, and encouraging high technology ventures.

In addition, it still has a role of looking after lame ducks such as Alfred Herbert and BL, unless the latter follows Rolls-Royce into the direct ownership of the Department of Industry.

The Industry Bill, now moving slowly through the House of Lords, puts these functions on a statutory basis. When it receives Royal Assent, probable in late May, it will open the way for the sale of assets to be spread gradually throughout the NEB's 60-odd companies, for the new roles to be implemented, and the Rolls-Royce (and perhaps BL) to be transferred to the Industry Department.

The legislation will be backed up by draft guidelines, which provide the operating details and confirm that the NEB's primary role is to assist in the expansion of the private sector, thus abandoning the last Government's notion that the NEB should primarily aim at expanding State ownership. Nevertheless, it would be possible, were the present Government to change its industrial policies, for a more interventionist Industry Secretary to allow the NEB to change tack without any major legislative amendments.

For the time being, however, the NEB is set on its new and more restricted course. The significance of this has been sharpened by the wholesale change of the Board's membership last November when Sir Arthur Knight, former chairman of Courtauld, replaced Sir Leslie Murphy as chairman at the end of the row over whether the NEB or the Industry Department should own Rolls-Royce. Sir Arthur now has a new Board and a new chief executive has recently stressed that the NEB wants to build partnerships with the private sector, and particularly with financial institutions.

### Guidelines

This is not a new departure for the NEB because Sir Leslie Murphy successfully launched several joint ventures with the clearing banks and other institutions between 1976 and 1979. What has changed, however, is that the NEB is now to be required under the Bill and guidelines only to make new investments which include private sector finance as well as State funds.

It is to be allowed to invest only where it is satisfied that the needs of a company could not be met from other sources of finance, and its investments must also be sold off into full private ownership as soon as practicable.

In a recent speech to pension fund managers Sir Arthur Knight said the NEB had twin roles. First it was a "benevolent but involved shareholder" waiting longer than usual for returns on investment, but intervening when it was worried about performance. Secondly, it had a national role to try

and encourage the effective development of industry. "We have in the NEB the beginning of a mechanism which can do for certain industrial situations what the developers and estate agents have done for property, combining perhaps the NEB's responsibilities with other institutions' power," he declared. "The necessity for the NEB to link up with City institutions is emphasised by the limited amount of funds it is to be allowed by the Government. The details of these funds are likely to emerge more clearly when the Public Spending White Paper is published later this month. It may then become apparent that the NEB will not have enough funds to do more than service its existing commitments during the next three years, especially in the high technology field."

In the 1979-80 financial year it originally had £100m available, apart from its allocation for Rolls-Royce and BL. This Government cut the amount by £30m to £70m. Ideally Sir Keith Joseph, Industry Secretary, would like to reduce this further to between about £15m and £25m a year, split between £5m for the NEB's work on small and medium-sized businesses and its general support role, and about £10m to £20m for its high technology ventures.

But it seems to have accepted that these would be impractically small amounts, because of the NEB's existing commitments. It's therefore likely to receive perhaps about £80m to £70m in 1980-81, and something approaching £100m for the following two years taken together. But this money will not go far and the

CONTINUED ON NEXT PAGE



## CORPORATE FINANCE V

In interviews below the finance directors of three leading companies discuss their strategy with Richard Lambert

## Facing up to the squeeze

## Tate and Lyle: eye on cash



Mr. Paul Bosonnet

## BOC: reappraisal

REAPPRAISAL AND rationalisation formed a recurring theme in the recent annual report from BOC International. Faced with inadequate returns from a number of its UK activities, the group made it clear that it was planning a retreat from some

of the product and service diversifications embarked on in earlier years. In part this is a reflection of general economic pressures—the change from the expansive mood of the 1960s and early 1970s to today's more austere

financial climate. But there is more to it than that, according to Mr. Paul Bosonnet, a deputy group managing director with responsibilities for finance and administration. The whole nature of BOC's business has been changed by the acquisition of Airoco in the U.S. — which roughly doubled the group's size and altered its perception of what should be counted among its significant business activities.

Another significant change has also served to undermine the thinking behind BOC's past moves to diversification. In the late 1960s it thought that the gases business around the world was maturing, and getting close to the point where it could no longer offer scope for worthwhile growth. Now, Mr. Bosonnet says, the long-term growth of the market is reckoned to be about 6 to 10 per cent in real terms, and the UK stands towards the upper end of that range.

So it is now reappraising its various activities, using four main yardsticks. One is the significance of the particular business group to the whole enterprise. Another relates to its position in the market place, and whether it offers BOC a base from which it can compete effectively over the long-term. A third is its

the UK and the U.S.

BOC plots the debt of its separate business groups both in absolute terms and as a proportion of turnover, and compares the figures with past performance and with what managers had said they could achieve.

For as long as most people can remember, BOC has been criticised for its relatively high level of financial gearing. Mr. Bosonnet treats such comment phlegmatically, but concedes that the current level of income and capital gearing is towards the higher end of the range that would be considered ideal over the long-term. He thinks that income cover of around two or three times on a current cost basis might be around the right sort of level — and that gets back to our belief that profits could be improved.

Pending such an upturn, the figures have been helped by a decision taken about a year ago to pin down some fixed rate borrowing — mainly in U.S. dollars — with a life of up to about 21 years. As a result BOC is paying around 101 per cent this year for its shorter-term finance, compared with what might have been 14 or 15 per cent if it was all at current market rates.

FOR TATE and Lyle the period of retrenchment started longer ago than for most companies. A programme of heavy capital spending combined with a sharp fall in profits to produce a serious cash problem—the scale of which became apparent in January, 1979, when the group hacked its dividend payment.

The decision, disconcerted the City, but according to finance director Mr. James Forbes the repercussions within the group were much more favourable. The decision was not made just for the effect. We faced heavy cash demands and the profits outlook for 1978-79 was uncertain. But it brought home to everyone in the group that we were in a tight situation.

The message seems to have got home. Total remuneration paid to UK employees rose just 2 per cent last year, while investment in working capital was up by less than 5 per cent. With the help of some major fixed asset disposals, overall group borrowings fell by £16m.

One of Mr. Forbes' priorities has been to get as many people as possible involved in the drive on working capital. Four times a year the main Board now gets a detailed breakdown of how much money is tied up, and where. And over the past year head office has been taking a much more active interest in the cash demands of the separate subsidiaries.



Mr. James Forbes

In Mr. Forbes' view, "screwing down the nuts and bolts of working capital is an issue for individual managements—but we can influence the process." One innovation is a system of cash limits which has been imposed on the separate subsidiaries, based on their agreed budgets. Head office has for some time acted as a central banker to the group, but only now do warning lights really start to flash if a company starts to swallow up more cash than anticipated.

early stage in the retrenchment was to tie up a £30m variable rate unsecured bank loan, running through to 1985-88. This significantly lengthened the group's debt profile, which was a comfortable thing to do at a time when it was not sure how much it might get from its asset sales.

Capital spending has continued to outstrip the depreciation charge, largely as a result of decisions taken several years ago. But the big projects are coming towards completion, and Tate is now beginning a process of self examination to decide how its assets can be best allocated in the future.

The group still faces a hard slog to secure adequate profits, and its interest cover is some way short of Mr. Forbes' objective—a figure of at least 35 times. Its borrowings are likely to rise again this year, partly because of higher commodity prices.

But its financial position looks more secure than it did 18 months ago, and Mr. Forbes is confident about its financial outlook for the next couple of years. What worries him, in common with many other finance directors, is the problems that will arise in the mid-1980s if the pressures of inflation are not overcome. "There is a limit to how much you can sharpen up and achieve through sound housekeeping," he warns.

## Redland's defences

REDLAND IS much better placed than most UK companies to face a period of economic stagnation. Geographic diversification is its first line of defence—the UK accounts for not much more than a third of its profits. In addition, it has taken specific measures to recent years to prepare itself for the problems which loom in the UK over the next 18 months.

Mr. Antony Hichens, a deputy managing director, frequently refers to the shock felt by the business in the downturn of 1974-75, a period which he calls "my baptism of fire." In 1974, he says, "we didn't fully understand what was happening to the company, and we had to work it out as we went along. Today we are far better placed to know what is happening."

One of the key changes has been the development of an increasingly sophisticated system of current cost accounting for management purposes. Each division is measured monthly by its current cost return on total investment, and the long-term target is a figure of 8 to 12 per cent before tax and interest.

This compares with Redland's estimated real cost of capital of 6 per cent, and leaves the group room to fulfil two other long-term business objectives—to finance real growth of 5 per cent a year and to maintain the purchasing power of its dividend payments. These targets have been achieved in recent years.

As head of financial management, Mr. Hichens' own aim is to provide people with information on which they can go away and make rational decisions. The emphasis on real profits is especially important at a time when volume is weak and managers are tempted to hold down prices in order to sustain the level of business.

To make managers fully aware of the financial consequences of their decisions, Redland is currently changing its accounting systems to make the regular reports of individual subsidiaries reflect their share of the tax, finance and dividend costs which are carried by the central organisation. The calculations are difficult, because they are largely notional. Yet Mr. Hichens hopes that they will bring home to the subsidiaries the real cost of carrying surplus working capital.

High inflation has not led the group to change the criteria by which it judges new capital investment. Mr. Hichens believes that pushing up the entry barrier can lead to the deferment of necessary replacement decisions or simply encourage people to do their sums less conservatively. But stagflation has led Redland to think harder about the long-term viability of particular businesses. The group is also introducing a new budgeting system in 1980-81 which has been designed to make sure that whatever happens it will not have to cut back on projects which are already under way.

The financial programme has been divided into three parts. Each division is assured of receiving a hard core of its capital needs, amounting to about two-thirds of the total budget. Part way through the year an extra tranche will become available for agreed projects if the subsidiary can show that it can still justify its original cash forecast for the year. Release of the third tranche will depend on the group as a whole being satisfied with its cash performance.

Mr. Hichens is also anxious to improve the measures of productivity available to management. One yardstick is current cost profits per head expressed in constant pounds—a figure which, he says, can make the toughest manager blanch. Volume per head and the ratio of employee cost to value added are two other measures to which he attaches importance.

Redland's financial strength has improved substantially since 1974-75. Its net worth has more than doubled, whereas its loan capital is only a little higher. It took steps well ahead of the recession to tie up long-term finance, and as a result it has virtually no overdraft at present. While other companies are being forced to contract in real terms, it is in a position to plan further expansion in the years ahead.

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Once some of these figures emerge in the White Paper, the NEB will produce a detailed policy, based on its high technology companies that ties in with its other roles of helping both small businesses and regional development. Sir Arthur Knight would also like to have a wider "catalytic" role developing special products like, for example, its



Mr. Antony Hichens

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## Enterprise Board

CONTINUED FROM PREVIOUS PAGE

NEB's freedom to engage in new high technology ventures will depend partly on how much support it can raise from financial institutions for its ideas, and partly on how much the Treasury allows it to keep from the proceeds of its sales after it has disposed of its main holdings in companies such as Ferranti, Brown Boveri and others. These disposals, along with last December's sale of ICL, were supposed to have yielded £100m for the Treasury's £1bn sale of State assets by the end of this month. The time limit has now been waived, but the Treasury will still want the proceeds of the sales when they happen.

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titanium plant now being built at Shotton to provide high grade metal for Rolls-Royce.

City institutions and companies can therefore now look to the NEB in three ways. First, it will be a source of viable businesses when it fulfills its role of selling off its profitable companies. Secondly, it will be a source of fairly "soft" funds for projects with a longer lead-time than many financial institutions would want to consider on their own.

Thirdly, it will set up high technology projects for which it will scum the City for supporting finance.

Its record of success so far in its various ventures has been mixed and there have been some fallacious controversies with its investments in projects like the Immo micro-chip company. What remains to be seen is whether, in its more restricted guise, it can be a significant catalyst and source of funds to accelerate the developments of manufacturing industry.

John Elliott

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# Who's who among the merchant banks

On this page Michael Lafferty and Robert Cottrell present brief profiles of the City's leading merchant banks, most of them institutions with a long history of financial expertise.

CORPORATE FINANCE is generally held to be the glamour side of merchant banking—so areas where diplomatic, untruffled and ruthless young men launch and destroy multi-million pound deals with a song and a smile of brilliant minds. The reality in most cases is rather different. At the top of the table millions of pounds may indeed turn on the quality of advice which a department can give quickly and authoritatively in the course of launching or resisting a bid. But corporate finance, even for the City's major merchant banks, ranges down to relatively small private companies of perhaps only £5m capitalisation, whose needs may extend at most to securing a Stock Exchange Rule 133(2) quote in the indefinite future.

Many small companies are introduced to the corporate finance services of a merchant bank through their clearing bank, which will naturally tend to guide the company to its own subsidiary. In this way Samuel Montagu for Midland, County Bank for NatWest, and Barclays Merchant Bank have built up useful portfolios of growing companies. But the independent

merchant banks will often prove surprisingly receptive to small companies. For corporate clients tend to prove remarkably loyal to their bankers, such that maintaining a "nursery" of small companies is vital to hopes of replenishing client lists in perhaps ten years' time. The company will first come to its merchant bank when, perhaps, it needs to arrange project finance beyond the facilities of its clearer. It may then move to a restricted stock exchange quote, and in the case of a successfully growing company to a full quote. It may find itself on either end of a merger, may need more capital through a rights issue, and at a certain size may seek access to the Eurobond market.

Generally speaking, merchant banks will provide all of these services through their corporate finance department. While in many cases Eurocurrency dealings are done through the international department or a specific Eurocurrency department, the corporate finance department will usually provide liaison with these departments for a UK company. Corporate finance is of varying importance to the banks as

a profit-earner. At Kleinwort Benson, which has a lucrative bullion dealing subsidiary, it is a lesser contributor than at Morgan Grenfell. But all of the banks recognise that corporate finance is the activity which gives them highest visibility in the business community, an activity which has its own personalities and legends known throughout the City. Corporate finance is, therefore, highly competitive. Each bank is striving for the brightest graduates, the most respected executives, the highest clients. The shape of the future may be that major companies, with their own finance teams to handle mundane tasks, will become more fluid in their choice of advisers for the exceptional larger deal, choosing the bank with the highest reputation for the particular job rather than tying themselves down to a long-term relationship with a single bank.

The notes which follow are intended to give a profile of the size, structure, and particular leanings of the corporate finance departments of some of the principal London banks. The information is in each case supplied by the bank itself.

## TOP 10 MERCHANT BANKS

### By number of quoted clients

1. Hill Samuel	123
2. Warburg	103
3. Schroder Wagg	95
4. Kleinwort Benson	90
5. Morgan Grenfell	70
5. Samuel Montagu	70
5. Baring	70
8. County Bank	61
9. Rothschild	58
10. Hambros	53

Source: Crawford's Directory of City connections

### By 1979 rights issues

1. Schroder Wagg	£m 229.5
2. Warburg	119.9
3. Hill Samuel	94.7
4. Kleinwort Benson	76.4
5. Rothschild	64.7
6. Morgan Grenfell	48.2
7. Hambros	30.7
8. Baring	9.8
9. Lazard	5.8
10. Samuel Montagu	5.6

Rights issues by Irish companies after Ireland's entry into ERM are excluded. Proportionate interest in each issue allocated to each financial adviser. Source: J. Henry Schroder Wagg and Co.

## County Bank

COUNTY BANK, the merchant banking arm of the National Westminster Bank group, has been in the news recently because of its advice to Decca in the contested takeover battle between Racal and GEC.

County sees itself as a merchant bank with a wide-ranging competence. Over recent years it has been busily building up its client base among medium-sized but growing companies up and down the country, without necessarily restricting itself to NatWest clients. The corporate finance department is led by John Morgan, a solicitor who previously worked with Slaughter and May. He has a staff of about 30 executives. County does not pretend to be one of the largest merchant banks, but it is working hard at growth. Examples of deals done recently include a substantial secondary placing of MFI shares, and advising Harris Queensway in its takeovers of Hardy the furnisher and Henderson Kenton. It also handled the flotation of Link House Publications. Altogether, it claims to have brought more new companies to the stock market for flotation over the past two years than any other merchant bank.

## J. Henry Schroder Wagg

ALL THE leading banks in corporate finance rank Schroder as one of their best competitors. Informally, many corporate finance people reckon that it is probably the number one or two bank in domestic corporate finance at present.

The corporate affairs department at Schroder is led by Hugh Ashton. He has a staff of about 40 executives, 50 per cent of whom are chartered accountants by training.

Over the past three years Schroder has been the leading merchant bank in domestic rights issues. But this is hardly surprising since it sees itself as "the bank with the largest number of the largest UK companies" as clients.

Among the successful bids and deals which Schroder has

been associated with over the past year are Oil Exploration's agreed deal with LASMO, the Sandeman takeover by Seagram, the Sedgwick Forbes/Bland Payne merger and the takeover of Westinghouse Banks by Hawker Siddeley. Schroder says it does not normally go in for contested bids, but it now finds itself advising C. T. Bowring against the unwelcome bid from Marab and McLennan of the U.S. In each of these cases Schroder was advising the first company named.

Bids where Schroder's clients did not win include the Spillers takeover by Dalgity and GEC's acquisition of Averys. Hugh Ashton emphasises that corporate finance is a very important part of Schroder. Nineteen-seventy-nine was a record year for fees, he agrees.

## Hambros

THE CORPORATE finance department at Hambros is headed by executive director Mr. Christopher Sporborg. Three directors and nine officials make up the department. Major recent jobs have included advising Thorn on its bid for EMI,

and Charter Consolidated on its corporate re-structuring last year. Hambros is particularly keen to build up its small company clientele—which it fears may be instinctively put off by its size and accepting house status. It enjoys handling entrepreneurial clients, amongst which its numbers Sir James Goldsmith. It is developing an interest in the buying and re-selling of companies.

## S. G. Warburg

THERE ARE few areas within UK merchant banking in which Warburg is not regarded as one of the most successful operators. This is particularly true of domestic corporate finance, where most of its main competitors rank it as one of the five leading merchant banks.

The senior director in charge of corporate finance at Warburg is Michael Valentine. He has a team of about a dozen directors, and 35 further executives. This bank tends to be associated with the larger new issues, and has a client bias towards the more modern industries like electronics and service companies. Clients are mainly medium and large quoted companies. Over the past year or so War-

burg has been at the centre of some of the most interesting bids and deals in the City. It advised on the "Canadianisation" of International Thomson Organisation.

Warburg advised GEC on its recent successful bid for Averys, its advised Tenneco in its takeover of Albright and Wilson, and it is currently advising Marsh and McLennan, the U.S. insurance broking house, in its bid for Lloyd's insurance brokers, C. T. Bowring.

Mr. David Scholey, the deputy chairman at Warburg, acknowledges that corporate finance is a major part of the bank's business. Deals are becoming increasingly international, he says. "There is a lot of business on the boil at present."

## Morgan Grenfell

WITHIN THE City, Morgan Grenfell is often talked about as one of the outstanding success stories of merchant banking over the past decade. It is certainly one of the leading banks in domestic corporate finance.

The department is currently led by Richard Webb, who is standing in while Graham Walsh is Director-General of the Takeover Panel. He has a staff of about 40 executives, including a tax department and eight directors. Like most other corporate finance departments, the discipline at Morgan Grenfell is accounting. Indeed more than half of the staff in the department are chartered accountants. The next largest group is lawyers, followed by business and other graduates.

The corporate finance department is involved in a broad range of companies and industries. One area of speciality is oil.

Over the past year it handled a £17m rights issue for Tricentrol, and advised on LASMO's successful bid for Oil Exploration. Other acquisition deals where it has been involved include GKN's takeover of Sheepscote Engineering, United Biscuits' acquisition of Speciality Brands in the U.S., Imperial Group's proposed acquisition of the Howard

Johnson group—and, most recently, GEC's unsuccessful bid for Racal.

The corporate finance department is acknowledged to be an important profit centre for Morgan Grenfell. Richard Webb also sees success in this area as very important for the way the bank sees itself, and is regarded externally.

## Lazard Brothers

SENIOR CORPORATE finance director Mr. E. W. T. Barnes heads the departments at Lazard. He is supported there by nine main board directors, and 16 executives, providing services to 47 quoted clients. Major recent jobs included advising EMI on the Thorn bid; Dalgity on its bid for Spillers; the defence on Wellman from Redman Heenan; and jointly underwriting the BP share issue last year. Lazard is particularly experienced in the handling of oil-based clients, its close working relationships with Lazard Freres in Paris and New York facilitate international deals for clients like BOC and Unilever.

## Kleinwort Benson

KLEINWORT BENSON is generally acknowledged to be the largest of the City accepting houses, judged on the basis of disclosed net assets. It is also one of the leading banks in corporate finance, both on a domestic and international scale.

These days Kleinwort prefers to take a lower public profile on the corporate finance side than it did in the days when Sir Charles Ball was head of this division of the bank. The amount of publicity Sir Charles got left the impression, some executives feel, that corporate finance was the main part of the bank's business. This is far from the case, though it is nevertheless a vital part of all the bank's services.

Today the corporate finance department is headed by Andrew Caldecott, vice-chairman of the bank. He is backed up by a deputy, Lord Ruckley, and a number of senior executives with responsibility for

particular groups of clients. Altogether, the department has a staff of about 30 people. Some 40 per cent of these are chartered accountants, and the next largest group by professional background is lawyers. Apart from this there are several people taken in by graduates who have proved successful merchant bankers.

If Kleinwort has a speciality, it probably lies in the retail and services areas. However it has an interest in many industries.

Over the past year or so Kleinwort has been involved with Sime Drexel's unsuccessful bid for Guthrie's Corporation, its successful bid for off. BTR's bid for Bristow, its advised takeover of Bristow in its successful bid for Caledonian Holdings, and it floated the B and Q retail chain. It has also been retained by the British Government in connection with the proposed flotation of British Aerospace.

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## Rothschild

THE CORPORATE finance department at Rothschild comprises 30 executives headed by director David Secker Walker. While covering all aspects of corporate finance, the bank has particular expertise in international deals involving the Americas and south-east Asia. Of late, it has found itself involved more with mergers and acquisitions work than with capital-raising. Its involvement in major recent deals includes advising Tesco on its bid for Carlier Superstores; the National Enterprise Board on placing its ICL shares; and Northern Foods on the acquisition of U.S. company Bluebird.

## Samuel Montagu

MR. JOHN GILLUM, deputy chairman responsible for corporate finance, heads a department of 20 executives, including six directors, at Montagu. The bank is a subsidiary of the Midland, which provides it with a ready-made introduction to many growing companies. It admits to being well-regarded for its takeover defences, which have included helping Dawson International to resist William Baird. It advised the Midland Bank and Bland Payne on the merger with Sedgwick Forbes, and advised the English Property Corporation through three takeover bids.

## Hill Samuel

EXECUTIVE DIRECTOR Mr. David Bucks heads one of the City's largest corporate finance departments at Hill Samuel. Five directors are on full-time attachment with the services of three others on call. Backing them up are 28 executives grouped into teams of four with one team specialising in mergers and acquisitions. The other teams are attached to client lists. The bank has a strong regional presence, and is traditionally around the top of the rights issue tables. Major recent jobs have included advising Racal on its bid for Decca; Eagle Star on its bids for Bernard Sunley and the English Property Corporation; and Seagram on its bid for Sandeman.



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## THE MANAGEMENT PAGE

## The booming business of executive ransom

TERRORIST attacks have become an every day occurrence since the early 1970s. To be exact, in 1979 they were an eight-times-daily occurrence, according to a recent report on terrorism by the U.S. Conference Board, a business-backed organisation dedicated to the study of "solid facts on which managers can base their decisions."

As businessmen and their families account for almost half the victims in terrorist attacks, there is clearly good reason for business to address itself to the problem. Europe, the report says, was the location for over half the recorded incidents.

The most usual form of attack on businessmen is the kidnapping and ransom demand. Some of these, like the German abduction of Dr. Hanns Martin Schleyer, president of the Employers' Federation, whose

body was dumped after a 44-day detention in October, 1977, have led to the victim's death.

The majority of kidnappings, however, do not lead to death or even injury, but to what is itself a crude and violent form of business negotiation over the size of ransom and terms of release. Ransom demands of over \$1m are now commonplace; the record, set for a businessman, was the price put on the head of Aldo Moro, the former Italian Premier.

Since 1970 an estimated \$150m has been paid out to international terrorists. Of the 367 kidnappings in this period, 35 have resulted in death.

The figures are chilling, even

though they are to some extent subjective — IRA activity in Britain and Ireland, for example, is excluded. Equally grim is the realisation, amply illustrated in the report, that a substantial industry has grown up aimed at both mitigating the financial consequences of terrorist acts and preventing them altogether.

Many insurance companies now offer ransom insurance, the precise figures for which are not available for obvious security reasons. Normally, the report says, companies are self-insured for the first half-million or million dollars of a ransom payment. Premiums are high, but are a worthwhile precaution for companies whose top executives

are well known and often working in politically-sensitive territory.

But the biggest industry by far is that of security itself. The Conference Board offers for executives a detailed package of advice on how to avoid finding themselves in the hands of kidnappers. These include using false names, regularly changing cars, avoiding remote areas and, above all, never becoming a creature of habit.

Beyond these self-help ideas, many companies have resorted to the use of bodyguards and other security staff. The report casts doubt on the quality of some of these agents, suggesting that many of them were occupied taking clandestine

photographs in hotel rooms until a few years ago, when a change in the moral atmosphere and the divorce laws destroyed that particular line of business.

Governments have poured resources into other forms of anti-terrorist precautions. In the U.S. efforts have ranged from the establishment of a sophisticated FBI anti-terrorist centre to a proposal by the Treasury that all non-military explosives should be obliged to contain a specified number of so-called "tagging particles," which would be identifiable by forensic experts after an explosion.

But, the report adds, if the U.S. Secret Service is unable

to prevent the assassination of Presidents, there are no fool-proof systems. Like the installation of sound window-catches or burglar alarms, the best you can hope for is that your own security efforts will encourage the terrorist to seek his victim further along the street.

Some of the procedures recommended for the security-conscious businessman are:

- Make reservations under false names.
- Remove company identification from vehicles and other highly visible property.
- Ensure that all phone numbers are ex-directory.
- Change cars and number-plates of top executives' cars at regular intervals.

● Install security devices at parking places used by executives and never advertise an executive's parking space with signs like "This space belongs to the Managing Director."

● In high-risk countries, avoid travel by executives or their families to remote rural areas and learn to become less of a creature of habit. Avoid travelling in work by the same route or at the same hour each day.

Nearly three-quarters of attacks on executives began with the blocking of a car carrying the victim.

● Keep an accurate and up-to-date security dossier on top executives, including such

material as finger and palm prints and contacts where information on dental records could be obtained.

## INTERNATIONAL TERRORIST INCIDENTS

Year	Number
1970	293
1971	278
1972	206
1973	311
1974	388
1975	572
1976	728
1977	1,256
1978	1,511
1979	2,662*

\* First nine months only.

Source: "International Terrorism and Business Security," by E. Patrick McGuire (Conference Board Bulletin No. 63). Available from The Conference Board, 445 3rd Avenue, New York, NY 10022, U.S.

Ian Hargreaves



## BUSINESS LAW

A STORM is blowing through the closely knit community of British patent agents and patent searchers. The cause of the unrest was much discussed in a state of letters published in The Financial Times in December, all complaining that the Patent Office has arbitrarily changed its system of indexing patents so that it is no longer guides the searcher to previous patents concerning a particular type of product, process or function.

The deterioration was caused, it is alleged, by discontinuing the index codes indicating the "class" which a particular invention is meant to serve, and instead classifying patents only according to the "inventive step" by which their granting is justified.

This, wrote Mr. R. Arnot in a letter (Dec. 6, 1979) makes it increasingly more difficult to determine whether an invention is truly novel. Mr. Arnot is one of some 200 patent searchers, virtually living in the library

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of the Patent Office, to whom companies turn for help when accused of an infringement of patent. Anyone so accused will try to prove that the patent is not valid and in most cases will commission one of the patent searchers to look for a previous patent in which the same invention was disclosed.

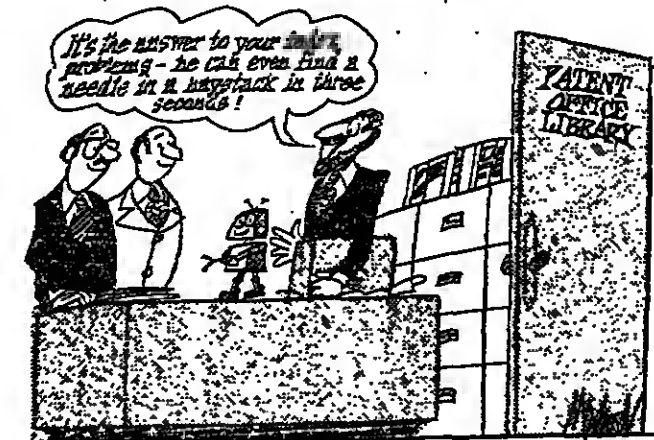
One of the examples given of the inadequacy of the new system is the classification of a British patent granted for the invention of a carbon coating which renders surgical devices, such as a heart valve, more acceptable to the human body. This is now listed under "coating with metals" and under "coated products" but not under prosthetic or surgical devices or under "valves".

This example, and the others given by Mr. Arnot, do not quite support his argument that it is now more difficult to disprove the validity of an existing patent, so that its infringers suffer and unnecessary royalties often have to be paid abroad. On the contrary, this type of classification, based on the inventive step, would facilitate a fast and economical disposal of the novelty of any later patent granted for the improvement of a heart valve by carbon coating.

The other argument that this manner of indexing makes it difficult to find out quickly what the state of the art of making heart valves is — a knowledge anyone embarking on their development, manufacture, marketing or selection would need to acquire — seems much more valid and explains why so many renowned industrial companies support Mr. Arnot's growing campaign for a short Bill seeking to impose on the Patent Office a duty to index patents in a "common sense" way, according to the use they serve.

This is no small matter. The social benefit expected from the patent system lies not only in the encouragement of research and development by the promise of a limited monopoly of exploitation of the resulting invention. Another, equally

## No longer patently obvious?



Patent Office agreeing to take the Financial Times and the public into its confidence.

If a searcher had called for all references to a motor car in 1912 he would have received a manageable parcel of papers. To do so now would be to throw up so long a list of references as to be quite unmanageable. To be useful, such index headings would have to be further subdivided and each developed into a small classification of its own.

It is estimated that on average an examiner spends about three hours in classifying a patent specification according to the British patent classification key. Those in favour of the retention of a product classification argue that it would take only another 30 sec. or so to add an index code according to the Standard Industrial Classification (SIC), the product classification system widely used by governments and industry throughout the world.

The Patent Office accepts that an additional index code under the SIC product classification would pose no great problems in the examiner, but insists that it would lead to a great amount of additional clerical work at the later stages of the process. The additional index code would

have to be entered on cards or into the computer memory: the input time for computer coding is high and the computerised retrieval systems are elaborate and inflexible, so that the Patent Office uses a computerised retrieval only in two areas covering only a fraction of its overall "memory".

Moreover, each additional index code would add to the burden of providing lists of specifications marked with the particular code.

These were the factors which over the past decade caused the Patent Office to move gradually away from product indexing and to concentrate more and more on classifying according to the inventive step.

The Patent Office referred publicly to this new policy for the first time in 1978 in connection with the annual revision of its classification key — a task that took about 7,000 man days in 1978. On that occasion it stated that "the classification key has been developed solely to facilitate the official search and is not intended or adapted for use as a subject index."

This statement was taken by some observers as an indication of a reversal of policy; but the Patent Office maintains that it was, merely describing a development which had been taking place for many years. The Standard Industrial Classification, the Patent Office is under no statutory obligation to provide a subject index. Its duties include only the provision of a classification facilitating

searches concerning the novelty and "obviousness" of an invention for which a patent is required.

It also seems quite plausible that it has not given up subject indexing frivolously but was driven to it by the need to make a cut somewhere, in view of the expanding volume of applications.

The situation was complicated by the new Patent Act of 1977 which made the work of examiners more difficult by requiring them to look for "absolute novelty" instead of novelty only in the light of British patents.

They could previously have been satisfied that the invention was new when there was no previous British patent, but they must now cast their nets much wider. This is bound to absorb a greater part of the personnel budget and leave less time for the services of classification system. As the Patent Office is bound by the Civil Service personnel limits and the government seems in no mood at present to sanction an expansion, it would not be helped, even if it could earn more money by selling the information provided by an additional subject index.

All this, however, does not dispose of the case of those who claim that industry suffers as a result. A recent study undertaken by Dr. C. Oppenheim, lecturer in information science at the City University, indicated that product information can be much better retrieved by means of the Standard Industrial Classification than by the British Patents Classification. In 12 experimental product searches the first approach enabled the retrieval of 88.2 per cent of

the patents that should be retrieved, compared with only 84.8 per cent retrieved by the second.

The fundamental question is whether priority should be given to the examination of patent applications or to technical information for industry. This must also be considered in conjunction with an overall assessment of the future of the patent system.

Not only are examinations becoming extremely costly, it is also impossible to make a truly exhaustive examination before the granting of a patent. This reality has been recognised in France, which grants patents without examination; Belgium and Italy do not carry out any substantive examination prior to grant and Germany, the Netherlands and Japan have adopted a system of deferred examination.

The trend seems to be towards a patent system not much different from copyright. So it seems reasonable to ask whether the resources and accumulated expertise of the Patent Office would not be better employed in the dissemination of technical information; after all, this was one of the original objectives of the patent system.

We are faced with the choice between a Patent Office as it is and the Patent Office transformed into a technical library. The future, it seems, belongs to the technical library, but the Patent Office and the friends of the conventional patent system have a stronger hold on the present.

In a paper delivered on January 16 at the OGI of the Chartered Institute of Patent Agents.

A. H. Hermann

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## THE ARTS

## Television

## London Pride by CHRIS DUNKLEY

Very rarely does this column urge the watching of particular programmes, but two series have started in the last two days which are so good that it would be a pity for anybody to miss them. If at the year's end they do not both walk off with handfuls of TV awards I will eat this page.

(A. Wager made twice before and still I don't know what pink newspaper tastes like.)

The first series is Fox, a 13-part anthology to London and Londoners, written by Trevor Preston, directed by Jim Goddard, and photographed by Ernest Vincze for Thames TV's subsidiary Euston Films. Fox is the name of Preston's fictional south London family headed by ex-Covent Garden porter Billy, played by Peter Vaughan, an actor who looks so natural in the role that it is hard to believe he is acting.

His wife Connie is played by Elizabeth Spriggs and they have five sons: Kenny the boxer, Joey the cab driver, Ray who runs a club, Vinny who hires scaffolding, and an ageing student named Phil who is said to be writing a book about them all. The ensemble acting is quite extraordinary. Though Preston wrote the best of the Sweeney scripts, and though criminals feature fairly large in the life of the Foxes, this is not another crime series. It is the story of a modern, urban extended family.

And if that makes it sound remarkably like lots of previous television series—The Brothers, for instance—two forces project it way above the normal level: its affection and its pedigree. Television inherited from the old British film industry two ways of filming British cities: handsome-historic and concrete-contemporary, and they are equally phoney as Fox makes you realise by showing London the way she appears to the eyes of her lovers.

Tower blocks and underpasses are here as are pretty views and majestic bridges, but it is the Peabody Buildings, the little old cabs, and the London Board schools which exude the very soul of the city. As much as father Billy strides his minor and Joey drives his cab you can practically smell the warm dusty air rising from the tube stations, and the sharp odour of new disinfectant and old beer surrounding the redbrick Victorian pubs which clamber ornately up Vincze's grey skies.

Preston's acute ear for voices, contemporary London, slams supplies equally authentic images.

I believe that when we look back in years to come we shall identify Fox as one of the best

items in a larger body of work which will by then be seen to have the same coherence and discreteness as the Liverpool Sound and the Ealing Comedies. At its centre will be a collection of programmes, mostly from Thames or Euston Films, mostly from departments headed by Verity Lambert. They will include *Budgie*, *Bill Brandt*, *The Sweeney*, *Minder*, *Hazell*, *probably Rock Follies* and perhaps even *The Naked Civil Servant*.



The Fox family

Much of the work is on film, all of it is modern, all of it is urban (mostly London) and it all presents gutsy material in a laid-back style. Often under the crystal glitter of the surface there is a slightly softer centre—but never mushy.

Having watched the first three episodes of Fox I am more impatient to see the rest than I have ever been for any series in 10 years of paid viewing.

The other compelling series is a group of four BBC 2 programmes which started last night with *In Search Of*. *In Search Of* is a series of four programmes, each with a different theme, and each with a different host. The first programme, *In Search Of Arthur Tonight*, is a comedy sketch series. The second, *In Search Of Offo Tomorrow*, is a documentary series. The third, *In Search Of Alfred The Great*, is a historical series. The fourth, *In Search Of*, is a general series.

Thanks to the way Michael Wood has written and presented them and the way Derek Towers has directed them they might best be described as archaeological thrillers. They are enormously enjoyable and informative in their own right but they are almost as welcome simply for being so deliberately different from the "shirtsleeves in Luxor" type of archaeology programme which is mentioned in *Offo*.

Suetonius's line of retreat," he explained in *Boadicea*. "This iron age trackway runs into the heart of Wessex," he says in tonight's *Arthur* where he describes "a sort of dark age Spaghetti Junction." At the start of *Offo* he remarks: "We of the here and now always tend to underestimate the complexity and richness of ancient societies." These programmes by Wood and Towers (a partnership which even sounds like an iron age fort) do help rectify that error and I urge you to watch them.

Sunday night's BBC2 schedule might be interpreted as evidence of a sudden liberalising of the channel's programme policies. It seems to be much more likely, however, that channel controller Brian Wenham decided that if one is to be hanged it might as well be for two sheep as a lamb. So with C. F. Newman's quartet of brilliantly realistic plays *Law And Order* finally starting its much deserved but long refused repeat at 10.25 Mr. Wenham filled the preceding two hours with Philip Donnellan's *Gun For A Soldier*.

*Law And Order* tells a graphic, convincing, and engrossing story of a criminal underworld in which policemen and lawyers use tactics scarcely any different from those of the crooks. Its first showing enraged latterday Blimps whose opposition to a repeat would no doubt have prevailed but for the real-life embarrassment of Operation Countryman.

Blimp reaction to *Gun For A Soldier* is impossible to imagine since this scrappy old squaddy's memento was even more iconoclastic, even more of a deliberate counterblast to television's normal outpouring of traditional middle class attitudes and values. Instead of honour and glory, Mr. Donnellan brought us blood and brutality; in place of the bugle and the drum, he gave us the cupped ear of the unaccompanied folk singer. It was indignantly loog and confusingly lit but as a hefty mawweller in a token evening of anti-theatricalism it could hardly have been better.

For Friday Night... Saturday Morning Brian Wenham and producer Frances Whitaker deserve praise for at least having a go at new ideas. Jane Walmesley, a lady with a North American accent, made a best of interview of the editor of *Now* last week but that did not put her off her stride which was a pretty vigorous one, and for me, anyway, hers is an entirely fresh figure in the tired and tawdry world of chat shows. In the previous week's edition the pleasant if unexciting film *Rice* brought us concert pianist John Lill and rock keyboard wizard Rick Wakeman jamming "Somebody Stole My Girl" on twin grand pianos: a sight and sound so wondrous and bizarre as to make it well worth while staying with the proceedings until 12.50 am.

Having so recently repeated my regular condemnation of television owes for its philistine obsession with inflation, wars and strikes and its shameful disregard for the arts, it is only right to record that the BBC News on March 7 included as its final item a report on the Royal Academy's Ruskin Spear exhibition.

I have suspicion about why Spear (painter of the notorious unofficial portrait of Princess Anne) was chosen rather than a dozen other notable exhibitors, and the item did appear only on the BBC2 Late News, not on the main BBC 1 News. Still—it is a wedge worth hammering.

## Theatre Upstairs

## Young Writers by ANTONY THORNCROFT

The Seventh Young Writers Festival is occupying the Theatre Upstairs at the Royal Court for the rest of this month. The idea, much favoured by the management at the Court, is to encourage play writing by the under eighteens, and a hundred and ninety plays of every style, length and subject were submitted, of which four are being produced.

The three in the first programme are *The Morning Show*, a very short film by a 15-year-old, Daniel Goldberg; *The Personal Effects* by Lucy Anderson Jones, a 16-year-old from Leicester, and, running up to an hour in length, *The Arbor* by Andrea Dunbar of Bradford, now 18, but the play was written three years ago. All present a particularly gloomy and unoptimistic view of life, but that is perhaps how the world has always seemed to teenagers, at least those with literary ambitions. However, behind the depression, there is quite an appreciable jolt in seeing the teenage angst through the eyes of the combatants rather than through the memories of an established playwright ten years on, the usual procedure. At first hand it is even more stark and uncompromising.

*The Personal Effects* is a very sombre drama. Should teenage girl sacrifice her "A" levels by helping to nurse dying mother at home rather than abandon her to hospital where she can receive better but less loving



Lena Granhagen

City Theatre, Stockholm

## A Doll's House

The undoubted highlight of the theatrical season in Stockholm is Jan Håkansson's often controversial but extremely popular production of Ibsen's century-old drama of woman's emancipation *A Doll's House*, for the City Theatre. This features the vivacious Lena Granhagen as the new woman of 19th-century Scandinavia, who first slammed the door on her family home at the Theatre Royal in Copenhagen in December 1879 and helped to set off a feminist and theatrical revolt, which sent a shock-wave around the world that can still be felt today.

Mr. Håkansson's adaptation, so called because it uses portions of Ibsen's earlier text of spring 1879, is of unusual interest. It brings to mind Ingmar Bergman's even more highly stylised production of *Hedda Gabler*, which London saw in the 1970s in both Swedish and English. When it recently toured in Tallinn and Leningrad, the Russian audience, though not the Estonian, broke into laughter when Torvald tried to rape his wife after their ostensible reconciliation near the end. Lastly, it gave an historic performance in Copenhagen by playing in the same theatre, as that of the world premiere, exactly 100 years ago to the day.

Mr. Håkansson has stripped

the stage (designed and lit by Akke Nordwall) of all extraneous naturalistic furniture and decoration. Unlike Maga's all-red set for Bergman, this one is all green plush and velvet. There is, as, for example, in the attempted rape, much surprisingly new business, that the director justifies by reference to the sub-text, and to the earlier, uncut, and no doubt much harder-hitting, version. It helps to bring out both the social and psychological points of Ibsen's drama.

In a line absent from the usual text, Nora confides that she has more faces than one to her friend Mrs. Linde, now touchingly taken by Agneta Ekhammar, who has replaced the stricken Jane Friedman. In an overwhelmingly affecting portrayal of Nora, at once vulnerable and unyielding, Miss Granhagen does suggest that she is playing a multiple game. She dons one mask for Leif Ahle's overbearing Torvald, another for Christa Bank's amorous Dr. Rank, a third, grimly realistic, for Nils Dybeck's tiresome Krogstad, and yet another, tender one for her children, who figure prominently, and even speak a few lines in a version that suggests that Ibsen's clonin call for human dignity can still shake the sensibilities deeply.

OSSIA TRILLING

## New York Dance

## Merce Cunningham by DAVID VAUGHAN

At last year's Edinburgh Festival, Merce Cunningham's "Event" performances included three duets from a work in progress, which was given in its entirety for the first time during his recent season at the New York City Center. The piece is in fact called *Dads*, and its form is simplicity itself: six duets danced by six different couples; during each one there is a brief interruption by one of the other couples, and finally a coda in which all 12 dancers return to the stage and reprise their various movement motifs.

Cunningham has always been a master of the duet—one thinks of the many serenely beautiful dances he made for himself and Carolyn Brown, the more disturbing, almost violent ones with Viola Farber, and, more recently, the Chinese puzzle of interlocking arms and torsos for Karole Armitage and Robert Kovich in *Fractious*.

These latest dances explore adagio and allegro, partnering in a series of brilliant inventions, with here and there a sly reference to the mechanics of balletic double work. But the women are never tossed around in the kind of brutal acrobatics that disfigures the pas de deux in so many contemporary ballets—the piece is all dancing of the most witty and graceful kind.

The music, by the Irish drumming team of Peadar and Mel Mercier, adds to the intoxicating effect, as do Mark Lancaster's casual clothes, with their artfully co-ordinated palette of colours. Cunningham himself appears as the solicitous partner of Catherine Kerr; the others are Susan Emery and Rob Remley, Armitage and Alan Good, Meg Eglinton and Chris Komar, Lisa Friedman and Joseph Lennon, Louise Burns and Kovich.

*Dads* is the third big work that Cunningham has made since his last New York season in the autumn of 1978. *Lovely* was originally made to be filmed in Cunningham's New York studio in the winter of 1979, and then transferred to the stage. Both versions were shown at the City Center.

The film contains the most dazzling choreography that has been conceived specifically for the camera since the great movies of Fred Astaire. The camera movements and the rhythm of the editing were choreographed, and meticulously rehearsed, together with the dancing, in collaboration with the film-maker, Charles Atlas (who also designed the

simple, elegant costumes). Also shown was a 1977 work, *Random*, which depicts the actual dance with the dancers' sartorial and vocalising out of the camera's view.

The stage version of *Lovely*, which had its premiere in Paris last October, is an enormous work of great beauty and power, which depicts the actual dance with the dancers' sartorial and vocalising out of the camera's view. The stage version of *Lovely*, which had its premiere in Paris last October, is an enormous work of great beauty and power, which depicts the actual dance with the dancers' sartorial and vocalising out of the camera's view.

The third new dance, *Stockholm*, commissioned by the American Dance Festival at Durham, North Carolina, last summer, is one of his more pieces, full of movement jokes, sight-gags, choreographic one-liners, such as Cunningham's frankly pulling on trousers, socks, and sneakers while trying to keep out of the way of the Fox as she dances around the stage; once dressed, he supports her in a side extension, folds her leg into his, then as she exits briefly adopts a pose from Nijinsky's *L'Après-midi d'un faune*.

With one change—Neil Greenberg has replaced Jim Self—this is the company that Cunningham has had since the summer of 1978 (Komar and Kovich have been with him since the early seventies). In addition to those already mentioned, it includes Ellen Cunniff.

The dancers are well equipped, technically and intellectually, to deal with his recent choreography, which for all its complexity is classic in its clarity and rigour. Cunningham, at 60, can no longer match the younger dancers in mobility, but his commanding presence and the force of his gestures prove that had he not chosen to be a dancer, he could have been a great tragedian—or a great clown.

## London Festival Ballet

London Festival Ballet will be joined by constellation of guests for a gala performance on Sunday evening, March 16, in aid of the Jacqueline du Pré Fund for Multiple Sclerosis Research.

The programme will begin with *Doork* Variations led by Elisabeth Terahust and Patricia Bart. There follow diversions which feature Nizhi Makhova as Antony Dowd, Robbins' *Other Dances*, Zizi Jeanmaire and Denys Gano in a pas de deux from Roland Petit's *La Chauve Souris*; Leonid

and Valentina Koslov—who quit the Bolshoy Ballet on its American tour last September—making their London debut in the *Don Quixote* pas de deux; Peter Schaufuss and Lesley Collier in MacMillan's *Sideshow*; Manola Assenso and Michael Denard (étouffe of the Paris Opera) in part of Giselle Act 2. The programme will end with *Etudes*, with Eva Evdokimova, Jay Jolley and Peter Schaufuss. Tickets are available from the box office of the London Coliseum, prices £5, £8, £10, £20, £30 and £40.

## Doulton backs Mozart prize

The 1980 Mozart Memorial Prize has been boosted to £1,000, and a Festival Hall concert, thanks to the generosity of Royal Doulton which rescued the competition in 1978 and is retaining its commitment to this bi-annual event. The prize came about in 1982 following the failure of the Haydn/Mozart Society to raise enough money for a memorial fountain for Mozart within a few yards of the Ebury Street house where he wrote his first symphonies.

The funds raised went instead towards a cash prize for the best singer or musician performing a work by the composer.

The first winner was Stephen Bishop-Kovacevich, and others have been Sheila Armstrong and Imogen Cooper. Applications are invited to the London Mozart Players, who will accompany the eventual winner at the Festival Hall. There are also runner up awards of £500 and £250, and the finals will take place at the Queen Elizabeth Hall on October 8.

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## Credit: signs of a turn

THE BANKING figures published yesterday, together with other recent economic statistics, are beginning to add up to a suggestive but not yet conclusive picture of an economy responding to monetary pressures. This degree of caution may seem absurd against a background of falling profits and competitive forecasts of disaster. However, experience has shown that an economy well adjusted to high inflation can be astonishingly resistant to pressure.

## Distortions

Caution is doubly wise in any attempt to interpret the banking figures themselves, because the underlying facts are barely visible through the fog of distortions, quite largely produced by official policies. The figures show a collapse in bank lending; but since the figures cover only the clearing banks, this is certainly due in part to a large shift in business to non-clearing banks, induced by the corset restrictions on individual banks.

A further distortion arises from the statistical treatment of certificates of deposit. Sales of CTDs have in the past been treated as official funding, so that when they are surrendered in payment of tax, a proportion of funding appears to come unstuck. It is on this basis that the money supply is estimated to have grown by a full percentage point. A sensible seasonal adjustment reduces this figure by half—showing that the real excess pressure was earlier in the year, when CTD holdings were rising.

However, two figures do stand out from the fog to offer guidance. First, personal lending has dropped sharply; and here the figures from the clearing banks are a safe guide, for they have the overwhelming bulk of the business. Secondly, the rapid growth in holdings of commercial bills outside the banking system has slowed down very sharply. There is no longer any strong reason to suppose that Sterling M3, the official measure of money, is underestimating the growth of liquidity and credit. In these circumstances, a growth of 1.1 per cent in a month does show restraint; it need only be compared to the formidable recent figures for the rise in costs and prices to confirm that restraint is being imposed in good earnest.

## Controlling the councils

RHETORIC ABOUT the virtues of local autonomy does not mix easily with determination to curb the spending of local councils. The Government is discovering this to its dismay, in the committee stage of the Local Government Bill, which is now thoroughly bogged down, amidst furious opposition not only from Labour and Liberal MPs, but also from most of the Conservative Party's staunchest supporters in the local councils. The prospect of Labour members putting forward well-argued amendments which have been drafted by the deeply Conservative Association of County Councils, suggests that there are, indeed, flaws in the proposals now before Parliament.

## Rate support

The key issue, on which no compromise between governments and local authorities, of all political hues, has been possible, concerns the method of allocating the national tax-payers' contribution to local authority finance—the Rate Support Grant. Currently this is set at 10 per cent of local expenditure. But the way it is set prevents the Government from influencing the spending, or rating, decisions of individual local authorities. To make matters worse, from the point of view of an administration committed to reducing public spending, the present RSG system can, in certain circumstances, actually encourage over-spending, because the assessment of each authority's "needs" is based partly on its actual spending.

If central government is to contribute almost two-thirds of the local authorities' revenue, it seems quite reasonable that it should have a say over how this money is spent. At a time when painful cuts are being imposed throughout the public sector, it may also seem reasonable that the Government should have some means of bringing local authorities which refuse to trim their spending to heel.

But the bias towards over-spending is only one of the many serious faults in the present structure of local government finance. The whole system is long overdue for reform. The Government's

Some apparent puzzles remain. The most recent retail sales figures have been flat, but not depressed, and February car sales were unexpectedly high. This simply reflects the unhappy fact that the squeeze has so far depressed corporate income sharply, but not personal income.

The new figures for central government borrowing provide a background which is at first sight forbidding. The public sector competes with private borrowers within any monetary constraint, and it is now a prime object of Government policy to reduce public credit demands, and so ease the pain imposed on the private sector. Figures which show that in the first 11 months of the financial year, the central government's own borrowing needs have risen from £6.7bn in 1979 to £8.1bn makes this task look horribly difficult.

## Foreign debts

However, on closer inspection the figures are not as bad as they appear. Expenditure on supply services has been held below £2bn below the rise in revenue (both unexpectedly high). This significant achievement has meant that the deplorable sharp rise in the cost of debt service has been covered: the Consolidated Fund deficit would actually have fallen but for higher EEC costs.

It is the National Loans Fund which has caused the higher borrowing requirement, and partly for non-recurring reasons. Repayments of foreign currency debt by nationalised industries, and the tail end of the lag in telephone payments, are in this class. So, largely, is the swing of some £1bn in the financial position of the energy industry, the result of an exceptionally mild winter and delayed price adjustments. Only the financial needs of British Leyland, reflected in the NEB figures, are a reminder that the Government is bound to share the pain that the squeeze is imposing on industry. On the whole, then, the figures suggest that recent encouraging estimates that present policies are consistent with a relatively subdued PSBR are confirmed. The whole story offers only the most limited comfort, for the squeeze threatens to be intensely painful, but we can at least hope that no new horrors are needed to make it effective.

mistake has been to concentrate on the superficial defects in this structure which it currently finds most irksome. Without showing any interest in the deeper constitutional and financial issues which any attempt at reform must inevitably raise. The local authorities currently spend over 11 per cent of Britain's gross domestic product. But they rely only on fifth of this sum from the domestic ratepayers who, in theory, control their activities. Commercial and industrial ratepayers, who have no votes in local elections, provide as much as domestic ratepayers and the central government makes up the rest. It is the enormous disparity between the local authorities' spending powers and the financial demands they make on their voters, which justifies scepticism about their determination to keep spending under control.

The local authorities as a whole have recently had a less prodigal record than central government departments. Since 1974-75, their current spending in real terms has been almost constant. But the fact remains that the local authorities have decided to defer the thrust of central government policy on public spending could, under the present system, do so with impunity. However, any significant moves to replace national with local tax-gathering would require a complete overhaul of the local authorities' present taxing powers. Property rating would not be an adequate substitute for central government funds which are collected from income and expenditure taxes. And clearly any suggestions for local income taxes would need many years to discuss and implement. As an interim measure—seen in the light of longer-term proposals to reform the whole system of local government funding with a view to giving local authorities real independence and responsibility—the Government's present proposals to bring local spending under control might be more acceptable. But before it can demand support, the Government should indicate a willingness to tackle the deeper problems over the coming years.

## Mixed reactions in Europe to Japan's car imports

BY KENNETH GOODING, MOTOR INDUSTRY CORRESPONDENT

## JAPANESE MOTOR VEHICLE SHIPMENTS 1979

DESTINATION	Selected markets			TOTAL	1978
	PASSENGER CARS	TRUCKS	BUSES		
Denmark	26,954	3,886	—	30,840	21,778
Britain	175,739	37,517	1	213,257	168,880
Ireland	27,032	4,715	94	31,841	32,343
Netherlands	94,075	5,674	109	99,858	125,133
Belgium	81,324	7,668	153	89,145	81,198
France	47,557	9,155	—	56,712	38,178
W. Germany	175,935	8,405	—	184,340	123,371
Italy	1,600	830	—	2,430	1,832
Norway	23,408	3,219	—	26,627	12,112
Sweden	26,222	2,716	—	28,938	17,061
Switzerland	45,461	8,420	47	53,928	40,842
Finland	26,716	4,445	1	31,162	15,739
Austria	32,064	1,425	255	33,744	12,371
Greece	15,718	32,994	74	48,786	39,094
Canada	60,904	12,696	—	73,600	137,016
U.S.	1,546,740	525,926	—	2,072,666	1,892,537

Source: Japanese Automobile Manufacturers Assoc.

imports, which seems to me completely incompatible with the harmonious development of the motor industry worldwide.

"We recognise the competitiveness of the Japanese industry, but we cannot tolerate a situation in which a devaluation of the yen of almost 30 per cent strengthens even further the commercial aggression of these manufacturers and allows them to gain strong market penetration." (M. Perrin-Pelletier was speaking at a time when the Japanese authorities were taking some action to strengthen the yen.)

Neither can we tolerate the fact that their domestic market is protected by the twin barriers of a high legal requirement, which make it very difficult to adapt imported vehicles to comply, and the near impossibility for foreign manufacturers of establishing a local sales network.

M. Perrin-Pelletier's words must be understood in the context of France's commitment to the motor industry. Its economy is very heavily on Renault and Peugeot. And the reason for the French chorus of protests can be found in export rather than home sales.

In Italy, where Fiat is a major element in the country's industry, a pre-Treaty of Rome agreement keeps Japanese car imports to a minimum. The Japanese success in Germany and elsewhere has been to some extent at the expense of Fiat and the Italians. Recently, the French manufacturers' association privately urged its German neighbours to protest, about the current Japanese attack on the "Germanic markets"—a reference to the fact that the target countries include Austria and Switzerland as well as Germany itself.

The request was given a lukewarm response. Germany is Japan's third-best vehicle export market after the U.S. and the U.K., but growth so far has been at the expense of the Italians (Fiat), forced into

third place in the importers' league last year by the aggressive policies of the Japanese and their own inability to supply the right cars in the right quantities because of industrial problems.

The French top importers in Germany with 10 per cent market share, have also felt the impact of the Japanese who in Germany have attacked along a broad front. Unlike in the U.K., where Datsun has led the fight, in Germany Toyota, Mazda, Datsun, Honda, Mitsubishi and Daihatsu (in order of sales volume) are active on the market.

There are doubts among German manufacturers about whether the Japanese market share can ever go much beyond the 8 per cent level. To do this the Japanese would have to erode the positions of the German producers and this would involve a radical, if not impracticable, shift in customer attitudes.

In the U.K.—now that the Japanese have voluntarily restricted car shipments—Renault is dashing ahead of Datsun this year as the leading "traditional" importer as distinct from those multinational companies with British operations which bring in "died" or "captive" imports.

But at Geneva, Mr. Ray Horrocks, managing director of B.L. Cars, concentrated his remarks on the Japanese. He maintained that the Anglo-Japanese co-operation represented by B.L.'s joint venture with Honda did not mean that "we feel able to stand aside when our industry is threatened through unfair trading."

Mr. Horrocks insisted that "Japanese imports have been clearly limited in other EEC countries by various means while the U.K. has been very reluctant to impose similar methods of regulation. We've been playing cricket while others have been playing more effective games."

The Germans seem in no mood to support the French or

British attitude. Herr Werner Schmidt, world sales director for VAG, the Volkswagen-Audi group which dominates the German industry in volume terms at least, was very outspoken on the issue.

He pointed out that Volkswagen sold 22,000 Golf cars last year in Japan, representing 45 per cent of total car imports to that country.

Herr Schmidt admitted that the technical tests cars had to undergo to qualify for use in Japan—the so-called type approval tests—were tedious and expensive. But Japan had no tariff barriers for cars compared with 11 per cent in the Common Market and it was a profitable market for Volkswagen.

"We Europeans are much less willing to adapt to Japanese ways than the Japanese to European ways."

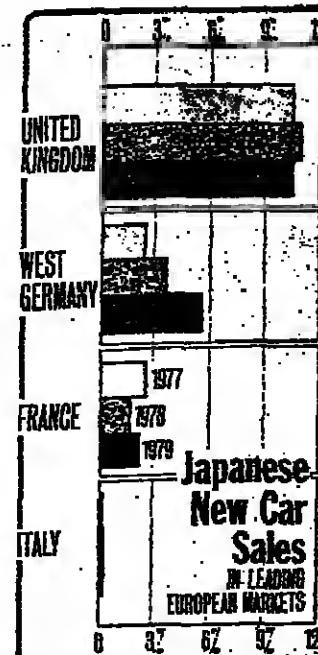
Ironically, some German companies are worried about the current intensity of anti-Japanese feeling in the industry but mainly because of what might happen in the U.S.

During the early days of the Geneva show the news came through that importers to the U.S. in February had taken 27 per cent of new car sales at a time when 200,000 car workers were laid off indefinitely.

## Protectionism warning

Herr Hans-Erdmann Schoenbeck, BMW's sales director, said the indications were that the U.S. authorities did not want to restrict imports and, indeed, the latest pronouncements from the U.S. industry's leaders have been against protectionism. However, "one emotional event could change the political balance," commented Herr Schoenbeck.

But if U.S. import controls were aimed only at the major car importers—that is the Japanese—the European manufacturers might not be affected.



is still interested in setting up a new assembly facility. It may get the right kind of grants or other financial assistance.

Until now the Japanese have concentrated virtually all their production in Japan. Critics suggest that the two big Japanese companies, in particular, usually install new capacity first and see where they can find markets for the extra cars later. Between them, Toyota and Nissan will spend \$1.5bn this year and intend to produce 500,000 cars by early next year.

There is also pressure from the smaller Japanese companies to increase capacity. With a total of nine manufacturers, Japan has the least concentrated and most competitive motor industry of any of the leading countries. M. Perrin-Pelletier says, "Japanese production, under the pressure from the small manufacturers who are eager to achieve critical volume, must continue to increase. It could increase from 9m to 11m vehicles during the period 1978-1982."

"Whereas European manufacturers are conscious of the risks of excess capacity, this is clearly not the case with the Japanese manufacturers."

There are at least signs that Toyota and Nissan are ready to move away from home base. In January Nissan acquired 36 per cent of Motor Thomas from Massy-Ferguson. Isobias is mainly a producer of agricultural equipment: light trucks and vans but Nissan says it will also be used as a European base for car production. Toyota has, it is believed, also been looking at Spain as a potential European assembly point.

## Fiat-Renault setback

The two companies, which stand to lose most from the Japanese entry into Spain, are Fiat, which is in the process of taking control of Seat, for many years the major car producer in that country, and Renault, which took over a market leader in a car sector hoped in five years to have consolidated its position.

It was, therefore, not surprising that the French government, in its negotiations for Spain's entry to the European Community, should have been so concerned about possible complications in the negotiations for Spain's entry to the European Community, should have been so concerned about possible complications in the negotiations for Spain's entry to the European Community.

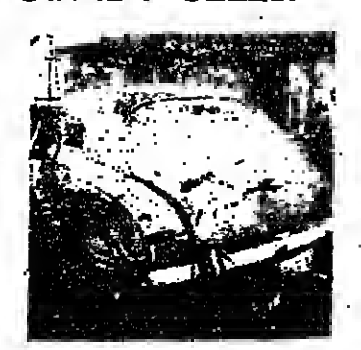
Yet there are many in the industry who believe the Japanese should be encouraged to set up car plants in Europe where they would face the same productivity, labour relations, inflation and cost problems that local manufacturers encounter. "In those circumstances, I would be surprised if the Japanese remained so highly competitive," is the way one senior French executive summed it up. This, of course, is precisely the reason why the Japanese companies are so cautious about investing outside Japan.

## 12 YEAR OLD FOUND SLEEPING ROUGH IN ABANDONED CAR.

One cold Friday night in January 12-year-old Sam had a row with his stepfather. It started because Sam forgot to switch off the landing light. It ended with his stepfather, quite literally, throwing him out and telling him never to come back. Although he was worried because of the freezing weather, his mother was afraid to do anything. After all, she had four other children and a small baby to feed. So it wasn't until Tuesday—when the social worker made a routine visit—that the police were alerted and the search for Sam began.

Two weeks later Sam was found sleeping rough in an abandoned car. He was dirty, tired and hungry. Even so, it took over an hour before he could be coaxed out of the car. And many weeks before he managed even a flicker of a smile.

There are many children like Sam in Barnardo's residential homes. Children whose families have let them down badly. Children whose distress cannot be measured, whose desolation cannot be put into words. Will you help us give them the love and care they need to mend their shattered lives? It takes time and infinite patience. And, of course, it takes money. Every £1 you send helps Dr Barnardo's.



bring meaning to a child's life. £2 would buy Sam a few posters of his favourite football stars to put on his bedroom wall. £5 would buy him a football of his very own. £50 would buy him a bed to sleep in. And if you covenant to pay regularly, we can claim back tax, so every £1 you give us lifts £1.45. As well as residential homes, Barnardo's run temporary residential homes for families in distress, day care centres, and residential schools for the handicapped. Please send what you can today to help us go on taking care of children like Sam.

Dr Barnardo's  
Dr Barnardo's, Tanners Lane, Ilford, Essex IG6 1PQ.

I enclose a donation of £2    £10    £25    £50

☐ Please send me details of covenants so that I can increase the value of my giving.

Name \_\_\_\_\_

Address \_\_\_\_\_

To: Nicholas Lowe, Appeals Director, Room 683  
Dr Barnardo's, Tanners Lane, Ilford, Essex IG6 1PQ.

Observer



# Mexico: the reluctant giant

كازمان الكحل

WHAT PRESIDENT Jose Lopez Portillo of Mexico decides to say about the future of Mexican oil next Tuesday will be of interest to oil consumers round the world. Even if he says nothing his silence will be at least as intriguing.

The day is the anniversary of the nationalisation of the country's oil industry in 1938 and the birthday of Petroleos Mexicanos (Pemex), the State oil concern then set up to take over the assets of the predominantly U.S. and British companies. It is a day on which the Mexican Head of State traditionally makes a policy statement on oil. As Mexico becomes an increasingly important producer of oil, the oil statements gain currency far outside its borders.

The predominant issue in the industry now is whether Mexico is to breach its self-imposed production ceiling of 2.25m barrels a day—of which about 1.1m barrels are used domestically—and move up to output levels of 4m b/d. That is now within Mexico's grasp and would make it one of the world's top exporters, on a par with Iran and dwarfed only by Saudi Arabia. Were the decision to go in favour of pushing up production it would relieve pressure on the international oil market and come as a particular relief to the U.S., Mexico's neighbour and largest customer.

In a formal sense there is no need for President Lopez Portillo to say anything about oil production next week. When he started his six-year term of office in December 1976 he announced that he would use the country's rapidly growing known reserves with prudence. The output ceiling he announced was expected to be reached not long before his six years in office were up.

At that time it was forecast that Mexico's reserves would be immeasurably increased and its potential produc-

tion capacity greatly expanded. Even as these facts did emerge over the past two years, the President stuck to his guns. There was no need for the wells to be drained of any more oil than had been announced, he repeated.

Were production to be increased rapidly, he argued, Mexico could be in danger of "financial indigestion." In an interview in mid-December, before the price rises which followed the meeting of OPEC in Caracas, the President said that the 2.25m b/d ceiling would be adhered to. The only possibility he foresaw of it being breached was in the unlikely event of a world agreement being worked out for the production and consumption of oil. Mexico, he said, would be doing itself no good by responding to demands from individual importers for more of its oil.

## Expectations

There is little doubt about whom the President was mainly referring to when he mentioned demands from individual importers. Since he took office and particularly since the announcement that at the end of 1978 proven reserves totalled 40,184m barrels, probable reserves 44,612m barrels and potential reserves, including these two amounts, 200bn barrels, the U.S. has been seeing Mexico as a close, reliable answer to the supply difficulties it has been encountering in the Middle East.

The expectations of intelligent laymen in the U.S. and of some sections of the U.S. oil industry have been raised by proposals such as have been mooted in the U.S. Congress under which the U.S. would join with Canada and Mexico in a North American Common Market. Under such proposals goods would flow unimpeded into and out of the U.S. and the U.S. would be able to count on

Mexico's and Canadian energy supplies. This is a proposal which has met with little love either in Mexico City or in Ottawa.

As the political situation in the Middle East becomes increasingly complex and fraught with danger the attraction of Mexican oil grows rapidly. Another reason is that Mexico does not belong to OPEC, and shows no signs of applying for membership. American expectations have been further raised by leaks from the Mexican oil industry suggesting that it could produce much more oil much more quickly.

The pressure from the U.S. for more Mexican oil coincides with the desire of Petroleos Mexicanos and its powerful and ambitious director-general, Sr. Jorge Diaz Serrano, to win his spurs and preside over one of the biggest production operations in the history of oil.

The pride which Sr. Diaz Serrano takes in his organisation is well reflected in his description of Pemex, given last year. "We are," he said, "an operative technical level comparable with that of any oil company in the world; we possess efficient technological capacity and human and technical resources in order to increase production without the help of foreign corporations thus keeping safe the features of a people's enterprise, operated by Mexicans and able to attain the goals and objectives that the interest of the nation may demand."

## Hopeful

Today Sr. Diaz Serrano, having recovered from much of the criticism of the circumstances surrounding the blow-out at the Exco well in the Gulf of Campeche and perhaps harbouring hopes one day of becoming President of Mexico,



Sr. Jorge Diaz Serrano, director-general of Pemex: a force for expansion



President Jose Lopez Portillo: he is putting on the brakes

is a powerful force for expansion in the oil sector.

Equally determined forces are ranged against the sirens calls from the big northern neighbour and the expansionism of Sr. Diaz Serrano and Pemex. No Mexican President in recent times has won popularity by doing favours for Washington. Mexicans have long historical memories which still encompass, for instance, the Treaty of Guadalupe Hidalgo in 1848. Under that pact Mexico lost half its territory, land which now makes up California, Texas, Arizona, New Mexico and parts of other U.S. states, in exchange for \$15m.

The last U.S. military intervention in Mexico occurred as recently as 1917. When Sr. Lopez Portillo embarrassed Washington a few weeks ago by refusing to allow the Shah of Iran back into the country after he had been to hospital in the U.S., the President was doing no more than Mexican nationalism demanded of him. The fact that increased oil production would benefit the U.S., which already takes more than three-quarters of Mexico's oil exports, would in Mexico be a *prima facie* reason for opposing it.

But there are more important reasons than that for going slow. "No one here wants to go the way Venezuela went," one senior Mexican official commented to me. Mexicans look upon Venezuela as a country where most industry has been highlighted and the economy skewed by excessive reliance on selling oil. With a population of about 70m, five times that of Venezuela, and social problems that dwarf Venezuela's, the Mexican economy has to provide hundreds of thousands of new jobs every year if it is to avoid major unrest. Oil is seen as one of the factors pushing up inflation in

Mexico and limiting the prospects of developing a manufacturing sector competitive on international markets. In a country which until 1976 had been used to a stable currency, the possibility of an oil-fuelled inflation pushing prices up by perhaps 30 per cent this year is alarming. It is even more alarming when politicians realise that even in the best of circumstances there will be a rush of organised labour this year to recuperate the buying power lost by the fall of real wages over the past two years.

There is a alarm about the prospect that an expansion of the oil industry will make worse those bottlenecks in the economy which are already helping to push prices up. The railways and ports are in dire need of modernisation; middle management is in short supply and so is skilled and semi-skilled labour—which in Mexico includes those who know how to hold a screwdriver.

To precipitate an expansion of oil production over and above the 8 per cent which Mexico notched up last year and is expected to repeat in the near future could transform these problem areas into disaster areas. New income has pushed the Government budget into surplus. Last year income came to \$1.79bn against expenditure of \$1.5bn. There are many who say that the Government has not yet made its mind up about how to spend the windfall profits which accrued in it as a result of the December OPEC price increase. It does not seem anxious prematurely to repay its foreign debt—of some \$22bn.

More money is hardly needed for imports which last year rose by all but 30 per cent. Foreign investment of \$1.4bn is expected during this year and as the Mexico City stock market is progressively opened to foreign investors, this figure could well rise. There are more

than ample funds for as fast a rate of growth in the Mexican industrial sector as the bottlenecks in the economy will allow.

In addition many Mexicans in government, led perhaps by Sr. Jose Andres de Oteyza, Minister of Industry, see little sense in selling stocks of oil the money value of which is appreciating.

Despite the fact that bilateral relations between Mexico and the U.S. have been badly handled by both sides, Mexico is fortunate that there are some influential figures in the State Department—not in other departments of government—who understand the Mexican dilemma. They are arguing that the Mexicans should be allowed to make their own decision about oil production without too much jostling from Washington.

## Realisation

U.S. officials on the spot appear to realise that their country's long-term interests are better served by an economically stable Mexico than by a Mexico which is shipping 1m barrels more of oil a day to the world's markets at the risk of economic chaos and social unrest.

Nevertheless while President Lopez Portillo's closest associates hint that there will be no increase of oil production once the 2.25m b/d ceiling is reached sometime in mid-year, they also add that a final decision has not been made. Some foreign observers feel that in a very informal and unannounced way production will be allowed to creep up gently perhaps in the course of next year, thus giving neither the expansionists nor the conservationists too much cause for complaint. And that solution would be consonant with the inoffensive subtlety of Mexico's politics.

## Dereliction in dockland

From the London and Home Counties Regional Secretary, Transport and General Workers' Union

Sir—We expect your paper to support the creative potential of private enterprise. We cannot, however, let pass your editorial suggestion (February 27) that the private sector needs only to be set free in London's docklands for the area to thrive again. After all, it has been the progressive desertion of docklands by private firms—the Port of London Authority included—which led to the area's dereliction and its high unemployment.

As a consequence, the painstaking job of modernising the area's infrastructure and its economy has been left almost entirely to the public sector. Their approach incorporated in the London docklands strategic plan won the support of a very broad range of local groups, trade unions and commercial interests. Indeed, so successful was it that it became the model for the Labour Government's inner city policy.

The task of docklands development was delayed, not by your wholly mythical obstructive and conservative local groups, but by lack of powers especially to acquire land by a shortage of public finance, and by the continuing failure of the private sector to make any substantial financial commitment to the scheme.

The area has also been blighted by the confused and short-sighted strategy of the PLA. Its determination to abandon all the upper docks appears ever more extraordinary. The benefits of dock facilities at the centre of the country's largest industrial and consumer market will grow as oil prices rocket and as the financial and environmental costs of road building to the proliferating small coastal ports become more evident. The highly successful up-river ports in Germany, France and Belgium illustrate how one-dimensional and backward is the PLA's vision of the future.

The answer to dockland's problems does not then lie in a wholly new agency with no experience and no responsibility to local people. We predict that it will succeed only in entangling one or two speculative projects to the most attractive parts of docklands at enormous public cost. What docklands needs is a strengthened docklands joint committee with more money, more powers to acquire land and, above all, greater muscle to develop industry; that's why we have suggested a strong industrial development board working within the planning frameworks set by the docklands joint committee.

Its primary aim would be to ensure that surplus land in the docks and elsewhere is developed for industry, as much as a vital need for docklands as it is for the country generally. S. Staden, 218, Green Lanes, Finsbury Park, N4.

## Non-executive directors

From the Director of External Relations, Institute of Directors  
Sir—I have followed with interest the correspondence in your columns on the subject of non-executive directors.

The non-executive director is the company's own, in-house, strategic management consultant with a continuing relationship with the company, enabling him to see a programme through from initial diagnosis to implementation of policy. It is his presence on the board which will encourage, indeed force, executive directors to act as directors when they sit in board meetings, rather than as managers.

The ideal non-executive director is successfully operating at executive level within a non-competing company. He brings that experience to his non-executive appointment. He is more likely to take a detached approach to boardroom issues, and because he does not—and should not—depend upon the appointment for his livelihood, he is more likely to be able to express an independent opinion.

Research shows that 25 to 30 per cent of the average board are non-executive directors. Because we believe that the contribution of the non-executive director is vital, we are inclined to think that the proportion should be greater. But it is more important to recognise and exploit the contribution of the non-executive director than to argue how many there should be.

For this reason, the Institute is announcing a major initiative, aimed at increasing the number and effectiveness of non-executive directors on the boards of British companies, with a view to the selection of appointments service jointly with a leading British management consultancy.

My colleague at the CBI, Edward James, is right to stress (March 10) the important role to be played by consultants in the search for suitable candidates. In choosing a non-executive director, it is vital that the particular needs of the company are examined; that the qualifications of candidates are matched with those needs, and that candidates are selected from a wider field than those known to chairmen or other members of the board.

In the boardrooms of British companies, there is a vast residue of full-time executive talent amongst directors who should be encouraged to take up non-executive director appointments. This would benefit a director's present company, the recipient company and the executive himself. E. A. Tucker, 116 Pall Mall, SW1.

## Looking at inflation

From Mr. E. de Bono.  
Sir—In Argentina they talk easily about inflation rates of 12 per cent—they refer, of course, to the rate per month. Savings are indexed as they are in Israel. With an inflation rate of 18 per cent per annum the interest rate on savings would also be 18 per cent. Yet similar figures for inflation rates and interest rates in the UK and U.S. are held to be part of a credit squeeze according to monetarist doctrine. So on the one hand the rates are inflation-indexed (as in Israel) and on the other hand almost similar rates are chocking off inflation. Obviously it must all depend on how you look at it and what you expect to happen. Which really means that today's economies are about 40 per cent economies and 60 per cent

psychology with neither speciality trained to cope with the other aspect. Why do savings rates rise in most countries at the onset of inflation but fall in the U.S. to the present very low rate of 3.3 per cent of income?

Perhaps we should create a new speciality of psycho-economics to experiment the poverty of ideas on such matters as inflation. Perhaps we should regard money not as energy (transfer, storage, flow according to "market" gradients) but as information which has quite other characteristics.

Perhaps we should simply set up a commission to enquire into all aspects of inflation. I would envisage such a commission as having a much wider membership than economists. We may also need to look at the "operables" in a situation in terms of just thinking in terms of cause and effect. Edward de Bono, Centre for the Study of Thinking, 11 Workworth Street, Cambridge.

## Charges on bid bonds

From the Managing Director, Furness-Houlder (Commercial Services)

Sir—I was interested to read your Amsterdam correspondent's dispatch (March 6) regarding Saudi Arabia, particularly his reference to heavy interest charges on bid bonds.

The suggestion that contractors are weighed down by the cost of providing bid and/or tender bonds is, in my view, a specious red herring. If an organisation cannot afford the very reasonable amounts charged for bid bonds, I do not think that they should be in the export market at all—I know from personal experience that this type of bond is looked upon as a loss leader, and certainly the expenses incurred by the banks and insurance companies operating in these specialised spheres inevitably outweigh the sums passed on to the client. In fact I know of a number of sources which do not make any charges whatsoever. R. H. Nye, 52, Leadenhall Street, EC3.

## Aid for UK computers

From Mr. B. Pantton

Sir—While the arguments being put forward (March 6) by Mr. Philip Chappell, chairman of International Computers, and his managing director, Dr. Chris Wilson, for more Government aid to the British computer industry do hold the valid premise that the industry would be at a disadvantage against foreign competitors if Government were not to support the industry by either funds or favour, it should not be concluded that support for the larger companies, such as ICL, would necessarily be of value.

ICL does need help with its research and development costs and, being the only British-owned mainframe manufacturer, assistance towards its development of equipment could well be said to have possibilities of benefit for the nation.

When it comes to software, however, the case for assistance to ICL is not strong and can be said to lack merit.

British houses have a good record of producing software, but in the main they produce for use on IBM and other American-owned manufacturers, and so enhance the competitive edge of these manufacturers.

Were ICL to be required, as a condition of Government support in the development of its computer equipment, to provide the software houses with the detailed specification that IBM (be it under the force of U.S. Anti-trust laws) provides, the result for Britain could well be the earlier availability of the powerful machines ICL has under development plus, from the software houses, an abundance of high-quality software.

If ICL in the interests of securing for itself all revenue from software sales, rejects this possibility, it would not be unjust to conclude that its appeals for Government funds and favour should be judged as if they were in the interest of ICL alone and not of the British computer industry in general.

Bernard Pantton, Telecomputing, Seacourt Tower, West Way, Oxford.

## Channel links

From the Executive Chairman, P & O Ferries

Sir—With reference to Mrs. A. Keith's letter (March 6) headed "Channel link" it would appear to me that Mrs. Keith has not been travelling via Dover recently.

My company offers departures every even hour every day for nearly the whole year. Thus combined with our competitors Mrs. Keith could simply go into the terminal in Dover eastern docks 350 times out of the 365/366 days of each year (peak weekends may be a bit tricky) and within 30/90 minutes be away to Boulogne or other ports. Ships are much more flexible than tunnels and would be less prone to terrorist activity or accidental blocking of the route. Strikes can be common to both and do from time to time affect other services.

Ferry frequency is with us now and I hope Mrs. Keith will take advantage of the availability to either hook beforehand or just arrive in the terminal as she chooses. Ian Churcher, Beaumont House, St. Botolph Street, EC3.

## Oil-sharing plans

From Mr. G. Greenhalgh

Sir—The account of the International Energy Agency's oil-sharing plans (March 3) refers to the application made by Sweden last year for assistance under this scheme. But at that time the Swedish Government, as a sop to public opinion, refused to allow the start-up of two completed nuclear power stations—and these stations are still standing idle. Yet the energy output from these stations would be equivalent to the 7 per cent of Swedish oil supplies, the quantity required to trigger the oil-sharing aid.

The Swedish people will vote in a referendum on March 23 to decide whether to continue their nuclear programme, which at present provides about 20 per

cent of the country's electricity, or abandon it. If the latter course prevails, the Swedish need for oil imports will rise steeply at a time of increasing world-wide oil shortage.

It could then be argued that the voluntary renunciation of an assured energy supply would undermine the basis of the IEA support scheme. When the real oil crisis comes why should those countries that have had the foresight to utilise all available energy resources share out their limited supplies of oil to appease the foolish virgins "give us of your oil for our lamps are gone out" the wise replied? No, so, least there be not enough for us and you. Should not the IEA make clear its policy on this point to the Swedish Government before the referendum takes place? Sweden must determine its own energy future but the IEA has a duty to ensure that the consequences cause the minimum of harm to other IEA members.

Geoffrey Greenhalgh, Poven Park House, Crawley Down, Sussex.

## Trade promotion in Japan

From the Head of Information, Department of Trade

Sir—May I comment on two impressions which might have been given by Charles Smith's article (March 3) entitled "Cut-back in British export promotion to Japan."

The move of the British export marketing centre to new premises in Tokyo does not imply a lessening of official support. A full programme of exhibitions of a wide range of British goods will continue to be supported by the British Overseas Trade Board (one a month is planned for the next 12 months) and the new centre will provide, as before, facilities for visiting British businessmen and for private exhibitions by companies. The World Import Mart where the new centre will be located from September 1 already houses American and Canadian exhibitions and other Governments are likely to follow suit.

We will be providing exhibition and ancillary facilities at least as attractive as before, at less cost to the British taxpayer. The second point which needs correction is that the exports to Japan unit of the Department of Trade is being "phased out". On the contrary, the unit is alive and well and will continue to offer detailed, expert advice to British firms on the Japanese market. The unit is still staffed by officials with extensive personal knowledge and experience of the Japanese market and language.

Of course, the large imbalance in the UK's bilateral trade with Japan could be reduced if more British firms were prepared to invest time and effort to the study of this undoubtedly difficult market and its unusual trading methods. The record of UK export growth to Japan compares well with growth in other markets and enough British firms have been successful in the market to encourage others who have not yet considered it to do so now with the help that we can provide.

Michael Garrod, 7, Victoria Street, SW1.

## GENERAL

UK: Mr. Peter Walker, Agriculture Minister, addresses one-day conference on Britain in the 80s, Newbury.

TUC women's conference opens, Brighton (to March 14). The Queen inaugurates Japan Style exhibition, Victoria and Albert Museum, London.

Overseas: Lord Carrington, Foreign Secretary, starts visit to Romania (to March 14). World retail banking conference, Monte Carlo.

European Parliament in session, Strasbourg. British medical exhibition and seminar opens, Peking (to March 23).

## Today's Events

PARLIAMENTARY BUSINESS  
House of Commons: Consolidated Fund.

House of Lords: Debate on Report of the Independent Commission on International Development Issues. Short debate on residential homes and care for the elderly.

Select Committees: Education (Room 8, 9.30 am); Foreign Affairs (Room 15, 10.45 am); Industry and Trade (Room 16, 10.30 am); Energy (Room 8, 10.45 am); Employment (Room 15, 3.30 pm); and Public Accounts (Room 16, 4.30 pm).

## COMPANY MEETINGS

Bakers Household Stores, Queens Hotel, City Square, Leeds, 12. Homfray, The Post House, Queens Drive, Ossett, West Yorkshire, 12. A. Kershaw, 38 South Street, W. 10.30. Lookers, Lancashire County Cricket Club, Talbot Road, Streteford, Manchester, 12. Rank Organisation, Royal Lancaster Hotel, Lancaster Terrace, Hyde Park, W. 12. R. Smallshaw (Knitwear), Druid Street, Hincley, Leicester, 12. United States and General Trust, Bucklersbury House, 11, Wallbrook, EC, 2.40. Westminster Properties, Abercorn Rooms, Bishopsgate, EC, 11.30.

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FT12/3/80



## Sedgwick makes £47m: meets dividend forecast

PROFITS before tax of the combined Sedgwick Forbes Bland Payne Group for 1979 amounted to £47.4m but as expected, the result is lower than the total profits of the two former groups in the previous year.

Mr. Neil Mills, chairman, says in his annual report that much of the insurance broking income is earned in U.S. dollars and he estimates that pre-tax profits might have been some £5m higher if sterling had not increased during the year.

As forecast following the merger last February of Sedgwick Forbes and Bland Payne insurance groups, the directors are recommending a final dividend of 3p to make a 5p total against an equivalent 2.65p. Stated earnings per share are 14.4p compared with an adjusted 10.7p—earnings per share for the former Sedgwick Forbes shareholders in 1978 were 9.32p.

Profits for 1979 represent group results for 12 months to December 31, while 1978 results are for Sedgwick Forbes for the year to December 31 and Bland Payne for the year to September 30. Bland Payne results from October 1, 1978, to December 31, 1978, have been taken to reserves.

Brokerage income suffered during 1979 because insurance rates were lower and because of the overall effect so far of the general realignment of 'links' between UK and U.S. insurance broking groups. Higher interest rates however partly compensated for these reductions, the chairman says.

At the AGM on April 3, shareholders will be asked to approve a change of name to Sedgwick Group.

Exploratory discussions are already taking place between the group and Alexander and Alexander Services Inc with a view to the co-ordination of their worldwide business.

Any arrangement is likely to require action by certain governmental bodies. In addition, it must be subject to the approval of the Committee of Lloyd's, whose policy on the regulation of Lloyd's insurance brokers is to be reviewed in the light of the recommendations of the Fisher Committee after it has reported in April.

Mr. Mills states that the continuing strength of sterling against foreign currencies and over-capacity in world insurance markets makes it difficult to forecast the group's revenue for the current year. However, profits for 1980 should further reflect the beneficial impact of the merger on expenses.

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### HIGHLIGHTS

Lex looks at the February banking figures which show that Sterling M3 is still growing above the Government's target range but suggests that the growth in bank lending is slowly decelerating. Elsewhere Britain's biggest insurance brokers, Sedgwick Forbes Bland Payne, has announced a small decline in profits because of unfavourable currency trends and overcapacity in the market. Cement Roadstone, the big Irish building materials group, is continuing to enjoy buoyant growth and finally Lex looks at the bid for Viking Oil with Denimex outbid by Sun Company. On the inside pages there are comments on Bibby, Pentes Ductile and Johnson Group. Two companies have gone into liquidation, Sanger and Fertleman, and Reed is bidding for London and Provincial Foster.

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## Buoyant Bibby boosts payment as profits soar

SECOND-HALF pre-tax profits of J. Bibby and Sons improved from £4.68m to £5.68m and resulted in a record figure for the fourth year in succession. In the year to December 29, 1979, profits rose 15.5 per cent from £5.4m to £6.2m from turnover 12.6 per cent higher at £158m.

The final dividend is increased from an adjusted 2.24p to 2.55p making the total 6.25p (12.544p).

After providing for tax and extraordinary items, attributable profits of this industrial and agricultural group show a 22.7 per cent increase at £7.58m. The share of profits of associated companies amounted to £685,000 against £382,000. Tax charged was down from £1.98m to £1.59m. Dividends absorbed £1.62m (£287,000) and profit retained was £6.03m (£5.33m). Stated earnings per 50p share are up from 25.79p to 32.65p.

Commenting on the figures, Mr. Leslie Young, the chairman, says the industrial group had a difficult year because of the

national road haulage strike in the early months of 1979, and the engineering workers' dispute in August. The agricultural group, however, had an excellent year, once again achieving a record surplus.

Looking ahead, he notes that the year started with two important events to ensure the group's continued profitable future. In January the 60 per cent equity in Sterlin, not already owned, was acquired early in March. Henry Cooke Converters, which had consistently failed to achieve profit targets, was sold.

Subject to any unforeseen circumstances outside the board's control, Mr. Young expressed confidence for another successful year.

### comment

This year looks like being the reverse of 1979 at Bibby. Then the industrial division showed a £100,000 downturn in trading profits partly owing to the impact

of the road haulage strike and autumn destocking in edible oils. This year, however, oils are doing better and the paper side is no longer supporting the loss-making Clyde operation. The food operation showed an improvement of almost £1.5m in 1979. The weather has been less kind this year, however, and there are overcapacity problems in both the feed and farm product sides. One item in the current period will be Sterlin, which is now wholly owned and should contribute around £0.5m after finance charges. Over the longer term, Bibby plans to diversify further into non-agricultural products—aiming at a 50-50 profits split with the agricultural areas—and the doubtful prospects for farm revenues in the next few years make this a sound strategy. Against this background and with the shares looking modest and the handsome dividend cover suggests that the yield could rise above the current 3.8 per cent.

First half profits were struck after interest little changed at £37,000 (£31,000), and was subject to tax. SSAP 15 adjusted, of £900,000, compared with £896,000. Net profits emerged higher at £1.47m against £1.35m. The 26 weeks ended December 29, 1979, on turnover ahead at £37.35m against £33.74m.

Mr. R. Sidaway, chairman, says, however, that because of the steel dispute most of the group's companies ceased operations by the end of January, and it is probable that profits for the full year will not match those of 1978-79—pre-tax surplus for last year was £4.1m.

With significant interests in steel-revolving and its broad variety of customers, Ductile Steels is rather a barometer for British industry in the West Midlands. The barometer is fairly steady at the half-way stage with Ductile managing a 1.55 per cent pre-tax rise despite the engineering strike. This strike probably cost more than £900,000 in foregone earnings, but seems to have been recouped between October and December as customers are beginning to restock.

The next roadblock is clearly the steel strike, which shut down operations from mid-January until early this week. The cost of the steel dispute, still uncertain, will likely be more than £1m.

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### DIVIDENDS ANNOUNCED

Company	Current payment	Date of payment	Current payment	Date of payment	Current payment	Date of payment
J. Bibby	4.25	March 31	2.24	6.25	3.26	
City & Commercial Tst.	1.25	April 25	0.97	2.52	2.03	
De Beers	2.24	May 2	2.12	4.5	65	
Ductile Steels	2.12	May 2	2.12	4.5	65	
S. W. Farmer	6.1	April 18	3.56	4.2	5.46	
Johnson Group sec. int.	2.83	July 2	1.7	4.03	2.91	
Rose Diamond Inv.	3.45	April 30	2.5	5.96	4.6	
Sedgwick-Payne	3	April 5	1.68	5	2.68	

Dividends shown pence per share net except where otherwise stated. \* Equivalent after allowing for scrip issue. † On capital increased by rights and/or acquisition issues. ‡ Includes non-recurring 0.59p from Shell. § South African cents throughout.

## Year-end fall seen at Ductile Steels

IN SPITE of difficulties caused by last year's engineering strike, taxable profits of Ductile Steels improved from £2.05m to £2.37m in the 26 weeks ended December 29, 1979, on turnover ahead at £37.35m against £33.74m.

Mr. R. Sidaway, chairman, says, however, that because of the steel dispute most of the group's companies ceased operations by the end of January, and it is probable that profits for the full year will not match those of 1978-79—pre-tax surplus for last year was £4.1m.

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## BIDS AND DEALS MINING NEWS

## Viking backs Sun offer

Sun Company, the 11th largest U.S. oil group, has emerged with a new bid for Viking Oil, the North Sea exploration group, which tops by £1 a share the three-week old offer from major German oil group Deminor.

Viking's board and its advisers, British Linen Bank, had agreed to the Deminor offer of 300p per share in cash plus a royalty unit based on an increasing yield as production came on stream.

Now they have withdrawn their recommendation for Deminor in favour of Sun which is offering 400p in cash (or the equivalent in variable rate 1980 loan notes) plus a royalty unit with terms virtually identical to that offered by Deminor.

The board recommendation for Sun could, in turn, be withdrawn if a higher offer materialised. Deminor has not conceded defeat but is "considering its position" according to S. G. Warburg, its advisers.

However, a number of shareholders controlling 30 per cent of Viking, have irrevocably committed themselves to Sun's offer and this would make it difficult for Deminor or any new suitor to come back.

Morgan Grenfell, advising Sun, owns 2 per cent of Viking in its own right and 20 per cent is owned by funds controlled by Ivory and Sime. The board's interest amounts to another 1 per cent.

The loan notes which are offered as an alternative to the cash element will not be quoted, but a condition of the offer is that Sun will seek Stock Exchange permission for dealings in the royalty units under either rule 163(3), which is designed for exploration groups, or 163(2), the unlisted market.

Viking's shares rose by £1.12 in the market yesterday to £10.12 for a market capitalisation of \$24.29m.

## NORFOLK CAPITAL SELLING HOTEL

Following its \$10m purchase of five London hotels from Grand Metropolitan, the privately-owned Chrysastra Company has now agreed to buy the Eros Hotel in Piccadilly from another business run by Mr.

Maxwell Joseph, Norfolk Capital. Chrysastra, owned by a family of Kenyan Asians, is believed to be paying around £750,000 for the hotel and to be involved in talks over others.

## Reed bids for rest of poster group

Reed International has unveiled its bid for the £2 per cent of London and Provincial Poster Group which it does not already own.

The all cash offer of 500p compares with a market price for London and Provincial of only 280p on suspension at the end of February. In terms of market capitalisation, therefore, the offer values the company at a premium of nearly 75 per cent above the market's estimate.

In 1978, London and Provincial made pre-tax profits of \$3.04m and in the first six months of 1979 interim profits rose from \$1.2m to \$1.85m.

Yesterday the Board announced that it expected to make final profits of not less than \$4.3m. On the basis of this improvement, it is recommending a second interim dividend of 10p for a total of 15p for the year. The current year is also said to have started well with "encouraging books" suggesting a "significant increase in profits in 1980."

The directors with advisers, Lazard Brothers, are recommending Reed's offer as "fair and reasonable" and intend to accept. They and their families own 2.02 per cent so Reed must be already confident that it has won control, as its own holding is 43.21 per cent.

## WINCHESTER LONDON TRUST

Final acceptance for the offer by Messrs Jack Gardner and Montague Fisher for Winchester London Trust totalling 1.92m shares (69.21 per cent).

The offerors held 6,500 shares before the offer was announced, and now control 69.44 per cent of the issued share capital.

## Dubilier makes move into American market

Dubilier, a manufacturer of passive components for the electronics industry, is expanding into the U.S. for the first time with the purchase of Flight Connector Corporation, of California, which makes connectors for aerospace and defence applications.

The acquisition—at a basic cost of \$2.5m (£1.13m)—will open up the American market to Dubilier's UK manufactured products and will give the group a manufacturing base in the U.S.

The connectors made by Flight are complementary to those made by Dubilier in the UK and France, but are supplied to different markets. Flight customers include many of the large U.S. civil and military aircraft manufacturers as well as the U.S. Navy.

Mr. R. G. Hooker, the Dubilier chairman, said yesterday that he was "very attracted" by what he had seen in the U.S. Dubilier was "very keen to get in there" and having achieved a toe-hold the group would be able to expand further.

Dubilier has a full time consultant in the U.S. and he is constantly on the look-out for suitable opportunities, said Mr. Hooker. He felt that unless Dubilier got into U.S. electronics it would remain second best in the industry.

The purchase contract is conditional on an audit by Peat, Marwick, Mitchell, Dubilier's auditors, of the accounts of Flight for the year ended February 29, 1980, confirming the company's financial position.

## De Beers pays higher final

BY PAUL CHIESERIGHT

De Beers Consolidated Mines has raised its final dividend despite a setback in its annual profits, caused by the sluggishness of the international diamond market.

The South African group, the most important single force in international diamond mining and rough gem marketing, yesterday declared a final dividend of 52.5 cents (29.25p), making a total for 1979 of 72.5 cents, compared with 66 cents for 1978.

Net profits last year were R727.9m (\$406m) after an extraordinary item, compared with R741.2m in 1978. Earnings per share were 205.7 cents against 205.5 cents.

The share price, which was languishing at 420p before the dividend announcement in line with the general trend on the market, rallied afterwards to close at 430p for a net loss of 20p.

Although De Beers investment income from its stake in Anglo American Corporation and individual mines showed a modest rise last year to R311.7m from R234.1m in 1978, this was not sufficient to offset the fall in the diamond account.

The diamond account in 1979 was R125.1m lower than in 1978 at R831.3m against R956.4m. Such a fall had been widely expected as the international diamond market absorbed price increases and regained stability after the heavy speculation in 1977-78 when diamonds were held in the cutting centres as a hedge against currency and economic uncertainties.

The 1979 sales figures for the Central Selling Organisation, which markets the bulk of rough gems passing on to the international market, had already indicated that demand was dull.

Specifically, the market for small stones especially has been slow and remains so despite a modest improvement in recent weeks—while that for larger gems, subject to investment rather than jewellery buying—held firm. Latterly, however, there has been some easing in the light of tighter financial conditions.

So De Beers sold less stones last year at a time when it was maintaining capital expenditure at a high level and facing, in common with all mining groups, "higher costs."

This situation has also affected the groups cash balances—R974.7m at the end of 1979 compared with R1,290m at the end of 1978. The group has been financing a higher level of stocks. At the same time it has used cash to participate in the Charter Consolidated Mines re-arrangement and to buy shares in Consolidated Gold Fields.

These transactions have built up the value of De Beers' investment portfolio and it looks as if "dividends from this portfolio are going to become increasingly important this year. High interest rates and a squeeze on disposable incomes could keep the diamond market sluggish for some months."

Selection Trust, however, was not prepared to go beyond the indication that there are indications "the area might be diamondiferous." "It is quite clear much exploration has to be done to see what is there—it has to be ascertained whether there is a payable deposit," a spokesman said.

The huge jump results from an extraordinary gain of C\$18.2m arising from the sale of its interest in Coskeka Resources, a company which had a cash balance of C\$55m at the end of the year. It declared a regular quarterly dividend of 9.625 cents (3.7p).

## Leichardt's hopes

AN OPTIMISTIC announcement about its diamond exploration hopes in South Africa failed yesterday to arrest the fall in the share price of Leichardt Exploration of Adelaide. The shares, a speculative counter in the Australian market, fell 60p to 345p.

Leichardt announced that it had concluded the purchase of Mopani Exploration, a South African company, which has a 25 per cent interest in a joint exploration venture with African Selection Trust Exploration, a subsidiary of Selection Trust of London.

This venture has properties near the Orange River in the Herbert district of Cape Province in South Africa. Management of the joint venture went to African Selection Trust on January 15.

In the period between August 1, 1979 and January 14, Leichardt said, Mopani produced 22 diamonds weighing 62.25 carats from 7,000 tonnes of bulk sampling material. The average size was 2.8 carats a stone.

The company quoted Mr. R. Baxter-Brown, its consulting geologist, as saying that the prospect "should prove to be a major asset in the future of Leichardt." It also referred to the "ultimate payability of this, and similar deposits in the area."

Selection Trust, however, was not prepared to go beyond the indication that there are indications "the area might be diamondiferous." "It is quite clear much exploration has to be done to see what is there—it has to be ascertained whether there is a payable deposit," a spokesman said.

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## De Beers

## De Beers Consolidated Mines Limited

## Provisional Annual Financial Statements and Declaration of Dividend

The following are unaudited abridged versions of the consolidated financial statements for the year ended 31st December 1979, together with comparative figures for the year ended 31st December 1978, which should be read in conjunction with the subjoined notes.

## CONSOLIDATED INCOME STATEMENT

	1979 R million	1978 R million
Diamond account	831.3	956.4
Interest and dividend income	311.7	234.1
Other revenue	31.8	29.1
Surplus on realisation of fixed assets	0.8	0.2
Net surplus on investments	6.8	(0.9)
	1182.4	1218.9
Deduct:		
Prospecting and research	38.8	29.4
General charges	28.1	28.6
Interest payable	9.1	4.5
	76.0	62.5
Group profit before tax	1106.4	1156.4
Deduct:		
Tax	335.4	401.6
State's share of profits under mining leases	40.7	43.9
	376.1	445.5
Less: Loan portion of tax	20.8	89.6
	355.3	405.9
Group profit after tax	751.1	750.5
Deduct:		
Outside interest in subsidiary companies	9.2	9.5
Group profit after tax before extraordinary items	741.9	741.2
Deduct:		
Extraordinary item (see note 1)	14.0	—
Group net profit after tax attributable to De Beers Consolidated Mines Limited	727.9	741.2
Appropriations:		
Transfers to reserves	413.5	377.4
Preference dividends	1.8	1.8
Deferred dividends — 72.5 cents per share (1978: 65 cents)	260.9	233.9
	676.2	613.1
Increase in unappropriated profit	51.7	128.1
Earnings per equity share (see note 1)	205.7 cents	205.5 cents

## Notes:

- Earnings per equity share are calculated after deducting preference dividends but before deducting the extraordinary item of R14 million which represents lump sum payments of R28.9 million made to the De Beers Pension Fund, reduced by relief from tax and State's share of profits totalling R14.9 million which is being allowed over a period of five years. R27.6 million was in respect of the admission to membership of the Fund of the Company's migrant employees who were formerly on a separate retirement allowance scheme funded annually by the company and R1.3 million was in respect of other employees and pensioners.
- The increase in listed investments is largely attributable to the acquisition of additional shares in Anglo American Corporation of South Africa Limited and

## CONSOLIDATED BALANCE SHEET

	1979 R million	1978 R million
Issued share capital:		
Preference shares	4.0	4.0
Second preference shares	2.8	2.8
Deferred shares	18.0	18.0
	24.8	24.8
Non-distributable reserves	271.0	214.6
Distributable reserves	2043.6	1702.6
	2339.4	1942.2
Less: Excess of cost of shares in subsidiary companies over book value of net assets at dates of acquisition	25.4	24.8
	2314.0	1917.4
Outside interests in subsidiary companies	70.1	75.4
Long-term liabilities	57.0	70.8
	2441.1	2063.6
Fixed assets:		
Claims, mining interests and property	104.3	94.2
Plant, permanent works and buildings	38.6	51.2
Unlisted trade investments	127.2	80.2
	269.1	225.6
Stores and materials	45.9	34.9
Diamond stocks	409.2	255.6
Listed investments (see note 2)	628.2	417.7
(Market value R1 875.5 million — 1978: R517.5 million)		
Unlisted investments	60.6	76.6
(Directors' valuation R325.7 million — 1978: R185.6 million)		
Long-term loans	103.0	69.0
Loan portion of tax	121.3	85.3
Deferred tax and State's share of profits (see note 1)	11.4	—
Cash	974.7	1294.9
Other current assets	349.5	239.2
	1334.2	1534.1
Less: Current liabilities	537.0	645.2
Net current assets	787.2	888.9
	2441.1	2063.6

Minerals and Resources Corporation Limited (Minroco) showing from the restructuring of Charter Consolidated Limited and Minroco and rearrangements associated therewith, as well as the acquisition of an interest of nearly five per cent in Consolidated Gold Fields Limited. Subsequent to the year end it was announced that De Beers had increased its interest in Consolidated Gold Fields to approximately 16 per cent, had secured options on a further 8.5 per cent, and proposed to offer half of its interest to Anglo American Corporation of South Africa Limited. The options have now been exercised and the offer accepted so that De Beers now owns 12.3 per cent of Consolidated Gold Fields and has a right of first refusal in respect of a further 0.4 per cent.

## Diamond Price Increase

The price of rough gem diamonds weighing more than one carat marketed by the Central Selling Organisation was increased with effect from 18th February 1980. The increase varied according to quality and size. The effect will be an overall increase in the price of diamonds sold by the Central Selling Organisation of approximately 12 per cent.

## Declaration of Dividend No. 120 on the Deferred Shares

Dividend No. 120 of 52.5 cents per share (1978: 45 cents) being the final dividend for the year ended 31st December 1979, has been declared payable to the holders of deferred shares registered in the books of the Company at the close of business on 21st March 1980, and to persons presenting coupon No. 64 detached from deferred share warrants to bearer. This dividend, together with the interim dividend of 30 cents per share declared on 21st August 1979, makes a total of 72.5 cents per share for the year (1978: 65 cents). A notice regarding payment of dividends on coupon No. 64 detached from share warrants to bearer, will be published in the press by the London Secretaries of the Company on or about 14th March 1980. The deferred share transfer registers and registers of members will be closed from 22nd March 1980 to 3rd April 1980, both days inclusive, and warrants will be posted from the Johannesburg and United Kingdom transfer offices on or about 24th

April 1980. Registered shareholders paid from the United Kingdom will receive the United Kingdom currency equivalent on 15th April 1980 of the rand value of their dividends (less appropriate taxes). Any such shareholders may, however, elect to be paid in South African currency, provided that the request is received at the Company's transfer offices in Johannesburg or the United Kingdom on or before 21st March 1980. The effective rate of non-resident shareholders' tax is 15 per cent. The dividend is payable subject to conditions which can be inspected at the head office and London office of the Company and also at the Company's transfer offices in Johannesburg and the United Kingdom.

For and on behalf of the board  
H. F. Oppenheimer  
A. Wilson | Directors

12th March 1980

Head Office: 36 Stockdale Street, Kimberley, South Africa.

London Secretaries: Anglo American Corporation of South Africa Limited, 40 Holborn Viaduct, London EC1P 1AJ.

Transfer Secretaries: Consolidated Share Registrars Limited, 62 Marshall Street, Johannesburg, (P.O. Box 61051, Marshalltown, 2107)

Charter Consolidated Limited, P.O. Box No. 102, Charter House, Park Street, Ashford, Kent TN24 8EQ.

De Beers Consolidated Mines Limited

Incorporated in the Republic of South Africa

## NEW ISSUE

These notes having been sold, this announcement appears as a matter of record only.

US \$15,000,000

## Community Psychiatric Centers International Finance N.V.

8½ % Convertible Subordinated Guaranteed Debentures Due 1995

Convertible into Common Stock of and Guaranteed on a Subordinated Basis as to Payment of Principal, Premium, if any, and Interest by

## COMMUNITY PSYCHIATRIC CENTERS



Merrill Lynch International &amp; Co.

Dean Witter Reynolds International

Banque del Gottardo

Banque Nazionale del Lavoro

Bank Julius Bär &amp; Co. AG

Bank Comptable Suisse (C.L.) Limited

Banque Arabe et Internationale d'Investissement

Banque Paribas Lombard N.V.

Banque Nationale de Paris

Banque de Paris et des Pays-Bas

Banque de Paris et des Pays-Bas (Suisse) S.A.

Comptoir des Banques

Credito Agricolo

Credito Commerciale di Francia

Groupement des Banques Privées Genevoises

Kleinwort, Benson

Kreditbank N.V.

Morgan Grenfell &amp; Co.

Parsons, Holding &amp; Pierson N.V.

Rothschild Bank AG

Société Générale de Banque S.A.

Swiss Bank Corporation

Vapour and Westbank

S.G. Warburg &amp; Co. Ltd.

S.G. Warburg &amp; Co. Ltd.

M.M. Warburg-Brinckmann, Witz &amp; Co.

March 11, 1980





# De Beers Industrial Corporation Limited

(Incorporated in the Republic of South Africa)

## PROVISIONAL ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st DECEMBER 1979 AND NOTICE OF DECLARATION OF DIVIDENDS

The following are unaudited abridged versions of the consolidated financial statements for the year ended 31st December 1979, together with the comparative figures for the year ended 31st December 1978.

### CONSOLIDATED INCOME STATEMENT

	1979	1978
Dividends, interest and sundry revenue ...	R'000 18,030	R'000 14,641
Less: General expenses .....	173	238
Profit before tax .....	17,857	14,403
Tax .....	154	247
Profit after tax .....	17,703	14,156
Appropriations:		
Transfer to general reserve .....	1,000	1,300
Dividends:		
On preference shares .....	1,948	1,945
On ordinary shares—110 cents per share (1978: 82.5 cents) .....	15,125	18,073
Unappropriated profit 31st December 1978 .....	13,701	4,361
Unappropriated profit 31st December 1979 .....	861	1,297
Earnings per ordinary share .....	114.6 cents	88.8 cents

### CONSOLIDATED BALANCE SHEET

	1979	1978
Issued share capital:		
Preference shares .....	17,000	17,000
Ordinary shares .....	27,500	27,500
Non-distributable reserves .....	44,500	44,500
Distributable reserves .....	18,520	18,520
Current liabilities .....	8,704	6,383
Investments:		
Listed .....	20,792	20,792
Unlisted .....	29,099	29,099
Loans .....	32,751	36,398
Loan portion of tax .....	11,777	4,838
Current assets .....	94,560	91,246

### DIVIDENDS

Dividend No. 59 on the Ordinary Shares  
Dividend No. 59 of 63 cents per share (1978: 45 cents) being the final dividend for the year ended 31st December 1979, has been declared payable to the holders of ordinary shares registered in the books of the Corporation at the close of business on 28th March 1980. This dividend, together with the interim dividend of 45 cents per share declared on 22nd August 1979 makes a total of 110 cents per share for the year (1978: 82.5 cents).

Dividend No. 72 on the 5.5 per cent Preference Shares  
Dividend No. 72 of 2.75 per cent, equivalent to 5.5 cents per share in respect of the six months ending 31st March 1980, has been declared payable to the holders of six month preference shares registered in the books of the Corporation at the close of business on 28th March 1980.

Dividend No. 7 on the 12.25 per cent cumulative redeemable Preference Shares  
Dividend No. 7 at the rate of 12.25 per cent per annum, equivalent to 6.125 cents per share in respect of the six months ending 30th April 1980, has been declared payable to the holders of cumulative redeemable preference shares registered in the books of the Corporation at the close of business on 28th March 1980.

For the purposes of these dividends the share transfer registers and registers of members will be closed from 29th March, 1980 to 11th April, 1980, both days inclusive. Warrants will be posted from the Johannesburg and United Kingdom transfer offices on or about 24th April, 1980. Registered shareholders paid from the United Kingdom will receive the United Kingdom currency equivalent on 15th April, 1980 of the rand value of their dividends (less appropriate taxes). Any such shareholders may, however, elect to be paid in South African currency, provided that the request is received at the Corporation's transfer offices in Johannesburg or the United Kingdom on or before 28th March, 1980.

The effective rate of non-resident shareholders' tax is 15 per cent. The dividends are payable subject to conditions which can be inspected at the head office and London office of the Corporation and also at the Corporation's transfer offices in Johannesburg and the United Kingdom.

For and on behalf of the board  
H. F. Oppenheimer, Directors  
A. Wilson

12th March, 1980

Head Office:

36 Stockdale Street

Kimberley

South Africa

London Secretaries:

Anglo American Corporation of

South Africa Limited

40 Holborn Viaduct

London EC1P 1AJ

Transfer Secretaries:  
Consolidated Share Registrars Limited  
62 Marshall Street, Johannesburg  
(P.O. Box 61051, Marshalltown, 2107)

Charter Consolidated Limited,  
P.O. Box No. 102, Charter House  
Park Street, Ashford  
Kent TN24 8EQ



**EVEN YEARS**  
**BARCELONA,**  
**APRIL 26 TH TO MAY 2 ND**  
**1980**

- All spheres connected with integrated transportation and the automobile industry.
- The spare parts, component parts and accessory industry.
- Equipment for garages, work shops, casting, forging, etc.
- Bicycles, mo-peds, motor cycles, and everything connected with the manufacture and marketing of these.
- Lubricants and similar products connected with the automobile industry.
- Equipment for handling and haulage of material for assembly chains, conveyor belts and transportation bands.
- Land, Sea and Air Transport, Freight and Carriage.

**ODD YEARS**  
**BARCELONA,**  
**APRIL 25 TH TO MAY 5 TH**  
**1981**

- Cars.
- Lorries, commercial vehicles, industrial vehicles, special transportation vehicles and car washers.
- Coaches, buses and mini-buses.
- Parts, component parts, spare parts, and accessories.
- Bicycles, mo-peds, motor cycles.
- Garage, repair shop and service equipment.
- Competition section.

F.O.I.M Barcelona  
Recinto Ferial Montjuich  
Plaza de España  
Tel. 223 31 01  
BARCELONA-4  
SPAIN

## UK COMPANY NEWS

# Pentos held back to £4.08m at year-end

HIGHER interest charges and a

rest from the publishing side

marred an otherwise

strong performance at

Pentos in 1979 and pre-tax profits

showed only a small increase

from £4.01m to £4.08m.

Total sales from trading activities

amounted to £70.3m which is

below original expectations but

shows an increase of 28 per cent

on the 1978 figure of £54.5m.

As forecast at the time of the

acquisition of Caplan Profile, the

final dividend is 2.625p making

a total of 4.025p compared with

the previous year's equivalent

2.5125p. Stated earnings per

share are 9.82p against 9.79p and

7.87p (8.55p) fully diluted.

1979 1978

Publishing, book sales 27,589 23,958

Garden and leisure 17,586 12,151

Engineering 13,032 12,010

Construction 11,440 7,321

Total sales 70,288 54,440

Publishing, book's profit 888 1,720

Garden leisure 1,482 1,316

Engineering 1,351 1,222

Coveration 1,584 780

Total profit 5,765 5,038

Minorities 25 83

Profit before interest 5,816 4,945

Interest 1,738 934

Profit before tax 4,078 4,011

Associates tax 5 13

Leaving 3,239 3,107

Extraord. debits 524 1,305

Profit ordinary 2,933 1,782

Final ordinary 938 560

Revised 1,281 2,144

£450,000.

Interest charges amounted to

£1.74m and the £804,000 increase

was due to higher interest rates

and higher borrowings. Year-end

borrowings were £5.5m higher

than 1978 of which £2m was in

respect of the consolidation of

Caplan.

Trading profits of publishing

and book-selling were down 44

per cent to £959,000 from much

higher in 1978.

Excluding publishing and the

benefit of acquisitions made

during the year, trading profits

are 23 per cent ahead of 1978 on

a sales increase of 31 per cent.

Tudor Garden Products was

acquired in May last year and

the Caplan Profile Group in

August. The contribution in

Pentos profits resulting from

acquisitions during the year was

£1.2m.

1979 1978

Turnover 13,835 12,777

Operating profit 1,188 1,085

Share of assoc. profit 4 4

Profit before tax 1,192 1,089

Taxation 153 251

Net profit 1,039 838

Extraord. debits 154 129

Proposed final 885 709

Revised 885 709

£265,000 on release of deferred tax

relating to stock relief.

After tax of £190,415 against

£132,105, revenue of Rosedimond

Investment Trust came out

higher at £341,144 for the year

ended January 31, 1980, com-

pared with £275,354, giving

earnings per share up from

4.6p to 5.11p.

The fixed interest content rose

from 37.23 per cent to 40.82

per cent, reflecting the substantial

investment made in long-dated

gilts—a total of £83m, of which

£12m came from new money and

£11m from switching out of short

and medium stocks.

A net amount of £42m was

invested in UK equities, and the

fund invested £5m in Japanese

equities.

The property fund also had a

net amount of £141m, with the

unit price advancing by 17.5 per

cent. The property portfolio at

end-1979 amounted to £531m

and gross rental income rose from

£20m to £25m.

During the year the fund

acquired 17 properties in the UK

involving over £50m, with a

total of 49.4 per cent, while the

proportion held in overseas

equities was down slightly to 7.33

per cent.

The fixed interest content rose

from 37.23 per cent to 40.82

per cent, reflecting the substantial

investment made in long-dated

gilts—a total of £83m, of which

£12m came from new money and

£11m from switching out of short

and medium stocks.

A net amount of £42m was

invested in UK equities, and the

fund invested £5m in Japanese

equities.

### BOARD MEETINGS

The following companies have notified

dates of board meetings to the Stock

Exchange. Such meetings are usually

held for the purpose of considering

dividends. Official indications are not

available as to whether dividends are

interims or final and the sub-divisions

shown below are based mainly on last

year's results.

TODAY

Interim—Maynard, United City

Merchants.

Final—BSR, Atlantic Assurance,

London Assurance, Montfort (The)

Mills, Thomas Robinson, Tiger Data

and National Milling, Turner and

Jewell, H. Woodward, F. W. Wool-

worth.

FUTURE DATES

Brooks Bond Liebig Mar. 18

Eleco Mar. 21

Senior Housing Mar. 21

Falcon Minox Mar. 23

MTG (Mangula) Mar. 25

Medimair Mar. 25

Waring and Gillow Mar. 25

Wormwood Foundry and Eng. Mar. 25

Finaro Mar. 25

Sarmaso Mar. 25

Blackwood Hodge Mar. 25

Sons Engineering Mar. 26

Carverright (R.) Mar. 26

Electrolux Mar. 26

Gill and Duffus Mar. 26

Associates Mar. 26

Lovell (G. F.) Mar. 26

Orina Mar. 27

Senior Engineering Mar. 27

Reckitt and Colman Mar. 28

Sevey Hotel Mar. 28

Senior Engineering Mar. 28

Spencer (Gaugo) Mar. 28

Time of Leeds Mar. 28

Williams and James (Eng.) Mar. 28

Williams and James (Eng.) Mar. 28

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Williams and James (Eng.) Mar. 28











# For 77 years he said "no!"



Generations of journalists have chased the legendary Sir Siegmund Warburg, hoping to get an interview with him like the one that appears in the current issue of *Institutional Investor*. But Warburg, who in the postwar years built from scratch the great merchant bank that bears his name, turned them all down.

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## Profits at Swedish paper groups more than doubled

BY VICTOR KAYFETZ IN STOCKHOLM

TWO SWEDISH forest product groups, Stora Kopparberg and Holmen, report 1979 pre-tax earnings higher than they had forecast at the eight-month stage and more than double their profit levels in 1978. Both are raising their dividends.

Stora Kopparberg, which also has large hydroelectric power interests, raised its group pre-tax profit from SKr 144m in 1978 to SKr 430m (\$101m) last year, with improved earnings in all sectors except forestry. The interim forecast had been SKr 400m.

The Board proposes a dividend of SKr 11 a share, up from SKr 8.50, an unusually large increase in Swedish terms. Group sales rose by 25 per cent to SKr 3,720m (\$971m).

Of 1979 turnover, 3 per cent was attributable to companies acquired during the year, 6 per cent represented higher volume and the rest resulted from successive price increases, Stora says in its preliminary report.

Profitability for market pulp and for board products nevertheless remained unsatisfactory. Stora provides no forecast for 1980 but writes: "At year-end there was continued good demand and a strong market position. Capacity utilisation at all the company's factories was

high." After appropriations and tax, Stora's 1979 net profit was SKr 81m, against SKr 60m.

Holmen, which is Europe's largest newsprint manufacturer and makes magazine paper, raised its consolidated pre-tax profit from SKr 44m in 1978 to SKr 111m (\$26m), beating the October forecast of SKr 85 to SKr 105m. The proposed dividend is SKr 8.50 a share, up SKr 1.

Group sales increased by 17 per cent to SKr 2,070m (\$498m), with an unchanged 68 per cent going for export. Paper production was 11 per cent higher than in 1978, at 824,000 tonnes, marginally above last autumn's forecast.

Holmen's 1978 profit, previously reported as SKr 58m, has been adjusted downward to conform with accounting changes effective from 1979, by which unrealised exchange differences on long-term foreign debt and the costs of issuing securities are considered financial items, not extraordinary items.

The 1979 earnings included SKr 22m in stock gains. Net group profit after appropriations and tax was SKr 28m, up from SKr 23m. Holmen provides no breakdown of results by products and no forecast.

## Norway bank results vary

BY FAY GJESTER IN OSLO

TWO LEADING Norwegian commercial banks due to merge shortly have published sharply differing results for 1979.

Christiania Bank og Kreditkasse, which will become one of Norway's two largest banks when it merges in May with Andreassen Bank, is paying a dividend of 12 per cent—the maximum permitted by present Norwegian rules—compared with 11 per cent for 1978.

Andreassen, in contrast, is passing its dividend for the second year running after the need to make provisions that substantially exceed the year's gross profits.

Christiania's 1979 accounts

were the best in the bank's history. Net profits rose to Nkr 92.2m (\$13.8m), up Nkr 36.9m on the year earlier.

The board expects satisfactory profits for the new merged bank this year. But it does not see quite such good results as last year, because of the Government's tight credit policies.

Andreassen reports loss write-offs of Nkr 95.2m, including some Nkr 30m of interest due but not paid last year. Gross profits, at Nkr 73m, were Nkr 7m up on a year earlier.

Managing director Gustav Jung estimates future likely write-offs on the bank's debts at about Nkr 100m.

## SHIPPING IN WEST GERMANY

# State guarantees credit for DDG Hansa

BY ROGER BOYES IN BONN

THE WEST GERMAN Government is prepared to help DDG Hansa, one of the country's leading shipping groups, out of some of its current financial problems in a move that underlines Bonn's continuing efforts to keep alive the hard-pressed shipping industry with a system of discreet subsidies and guarantees.

The company said yesterday that the Government had agreed to guarantee a DM 30m (\$17m) credit providing that the group carried through its proposed financial restructuring. The city state of Bremen is also considering a loan guarantee.

The Government pledge follows the recent announcement of a big rescue plan for the company: a six-to-one write-down in capital from DM 60m to DM 10m and a subsequent injection of DM 30m of new capital.

The company does not anticipate difficulties with the new capital injection and two of the group's main shareholders—Deutsche Bank and Muenchener Rueckversicherung—are understood to have agreed to put up the bulk of the necessary money.

The pressing need for action was emphasised again yesterday with the announcement that

Hansa's first-quarter losses would probably reach DM 23m this year on top of last year's balance sheet loss of DM 27m.

Hansa has more than 60 vessels and was strongly dependent on routes to the Gulf. That meant that the group has been hit by four interlocking crises: the Iranian revolution; the weakness of the dollar against the DM; rising fuel costs; and the trough in the shipping market.

The Government's particular interest in Hansa stems partly from the 2,500 jobs at stake in the Social Democrat-controlled city states of Bremen and

Hamburg. Both the Bremen and Hamburg Landesbanks are participating in the financial rescue plan.

But the move also reflects Bonn's view that the shipyards and the ship owners should be given some support during the present crisis. It is only to ensure that the industry is in a position to respond effectively when there is (as anticipated) an upturn in demand in the mid-1980s.

The current aid plan for the yards includes Federal and State subsidies of DM 660m, embracing an average 10 per cent subsidy on the value of each ship

order in 1979 and 1980. Ship owners, meanwhile, have been offered interest-free loans worth 1.5 per cent of the book value of their vessels and up to DM 550m for help with liquidity.

The ship owners have generally been dissatisfied with that level of assistance. They complain of unsatisfactory freight rates, undercutting by East European operators on some routes, higher running costs because of the oil price rise and the traditional dilemma of Deutsche Mark-dominated outgoings while income is based on an eroded dollar.

## Sales expand at Otto Versand mail order

BY KEVIN DONE IN FRANKFURT

OTTO VERSAND, West Germany's second largest mail-order group, increased its sales by 12.8 per cent to DM 3.6bn last year (\$2.0bn).

It thus outpaced its main rivals, Quelle, the biggest mail-order group in Western Europe, and Neckermann, which is now owned by Karstadt. West Germany's leading retail store concern.

The mail-order business showed a general growth in West Germany last year of some 6 per cent, marginally less than the 6.5 per cent expansion seen in the overall retail trade. The large department stores fared less well than the mail-order companies, with sales increasing last year below the average at only 4.3 per cent.

The Versand group's mail order business succeeded in boosting sales last year to DM 3.6bn, an increase of 11.2 per cent, while its small subsidiary, Schwab, showed a 9.2 per cent sales rise to DM 532m.

Versand is expanding its interests beyond West Germany and has opened a mail-order subsidiary in Holland. Its first catalogue was launched on the Dutch market for the autumn-spring season 1979-1980.

In common with its main rival, Versand has managed to hold its average price levels in its latest catalogue below the rate of general retail price inflation. Both Versand and

Quelle have raised prices by only some 2 per cent against an inflation rate running above 5 per cent.

Neckermann, the smallest of the leading mail-order houses, is still recovering from the fundamental restructuring that followed its takeover by Karstadt.

It has now lost all its stores interests, which have either been integrated into the Karstadt network, closed down or sold. Apart from its mail-order business, the group has also kept its travel and pre-fabricated housing interests.

No profit figures are yet available for 1979, but the management hopes that the much slimmer group can again be profitable in 1980 after several years of loss making marked by no dividend payments.

The Schickedanz group, which owns the Quelle mail-order concern, reported total group sales last month of DM 9,250m.

## Credit Lyonnais deal

Credit Lyonnais, one of France's big three nationalised banks, has reached a protocol agreement for a Lebanese group to acquire a controlling interest in its subsidiary, Union Foudriere et Financiere (UFFI), writes AP-JF from Paris. Credit Lyonnais plans to retain a one-third interest in UFFI, which is a property development company.

## Downturn for Skis Rossignol

By Our Financial Staff

SKIS ROSSIGNOL, the French sports goods manufacturer, expects profits for the year ending March 31 to be less than the FF 25.2m net posted for 1978-79. Rossignol partly blames the mild winter, particularly in the U.S.

Also affecting the 1979-80 results is the weakness of the dollar, reduced profit margins on sales of skis in France, and lower than expected sales of tennis equipment in the U.S. Costs incurred in getting new subsidiaries and activities off the ground have also been an adverse factor.

Rossignol said it sales of skis would total close to 2m pairs in 1979-80, an increase of 11.3 per cent on the previous 12 months. The company said it had attained its objectives in various other fields.

Sales of skis would remain at about the 2m-pair level for 1980-81. It added that in view of the current high level of stocks in North America, measures have been taken to reduce production in its U.S. and Canadian factories.

In addition, the improved productivity of the French plants will mean that, if production is to be adapted to decreased demand, "these plants will have to close down for several days between April and July."

## Restructured Baer plans outside shareholders

BY JOHN WICKS IN ZURICH

BANK JULIUS BAER, the 90-year-old family-owned Swiss bank, is to take on a few outside shareholders.

As part of a corporate restructuring, the existing family holding company will take over the group holding company and itself assume the latter's name, Baer Holding AG. The capital of the new holding company will increase to a maximum SwFr 26.45m (\$13.8m) and a share issue, at conditions yet to be decided, will then take place to raise about SwFr 20m of new capital.

The Baer family will be excluded from drawing rights, the issue being intended to establish "an initially limited in-house market" for the stock.

Also the family has undertaken to dispose of 25 per cent of its own Baer shares, which with a market value of about SwFr 40m, will be placed with "friends and clients."

After the restructuring, the Baer family will still control more than 85 per cent of voting rights. A long-term agreement guarantees that the family will retain control over the bank despite further capital increases or the introduction of participation certificates.

The bank, claimed in a recent Swiss study to be the most profitable in Europe, recorded net profits last year of SwFr 10.4m. Earnings from foreign-exchange and precious-metal trading jumped from SwFr 9.9m to SwFr 14.05m.

## German order for KWU

BY JONATHAN CARR IN BONN

WEST GERMANY'S leading power station builder, Kraftwerk Union (KWU), is set to gain its first domestic order for a nuclear power plant for more than four years.

The supervisory board of Bayernwerk, the Bavarian utility, has decided to give KWU the main contract for constructing a 1,200mw pressurised water reactor, KKK-2, at Obu, eastern Bavaria.

It is hoped that the plant, expected to cost about DM 4bn,

will enter service by 1988. Obu is also the site of Bavaria's only currently operating nuclear plant, KKK-1, run on the boiling water reactor principle.

KWU, a wholly owned Siemens subsidiary, returned to profit last year despite troubles in Iran and the continuing absence of domestic nuclear orders. One chief difficulty has long been the lack of a firm national plan for nuclear waste disposal, but there are signs of an early solution.

## Increased dividend planned by Robeco

By Charles Ruchhoefer in Amsterdam

NET PROFIT of Robeco, the Dutch investment fund, rose 11 per cent to Fl 328m (\$14m) in 1979. Much of the increase was due to high interest rates, which led to a rise in income from liquid assets.

The fund is raising its cash dividend to Fl 9 from Fl 8 a share on capital increased by a stock dividend.

The value of Robeco shares rose by Fl 4 to Fl 167 in the year and subsequently to Fl 174.50 by the end of February, when the annual report was prepared. Total net assets fell to Fl 4.1bn (\$2.05bn) from the 1978 total of Fl 4.5bn.

The stock distribution led to the issue of 822,000 shares, but Robeco was a net repurchaser of 1.9m shares in the stock exchange, taking total shares on issue to 24.8m at the end of the year.

Shareholders earned 10.8 per cent on their investment, taking into account price appreciation and cash and stock dividends.

Robeco stepped up its small interest in UK stocks to 2.5 per cent of total net assets last year—on the basis of what is seen as better prospects for the UK in the longer term and greater confidence in sterling.

## Irish cement group ahead

By Our Financial Staff

Cement-Roadstone, the Irish building materials group with important interests in the UK, has lifted 1979 profits by a third to Irish £34.1m before tax and is raising its dividend to 13.7p from 11.8p a share.

Domestic deliveries of cement rose by almost 18 per cent in weight last year, while turnover for the group as a whole went up by 49 per cent to Irish £258.5m. At end-December group debt as a proportion of shareholders' funds was 23 per cent against 41 per cent a year earlier.

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## Japan Line aims to repay some borrowings

By Yoko Shibata in Tokyo

JAPAN LINE, the financially troubled shipping company, which specialises in tankers, aims to repay part of its heavy borrowings rescheduled from 1978 in the fiscal year ending March, 1981, in view of an improved earnings picture, resulting from rationalisation measures and a recovery in the shipping market.

The ailing shipping concern was granted a moratorium in the 1978-79 and 1979-80 fiscal years on the repayment of ¥47.6bn (\$192m) of outstanding long-term loans by a syndicate of banks, including the Industrial Bank of Japan, the Japan Development Bank, and a number of other commercial banks and insurance companies. The shipping company's outstanding debts were about ¥120bn as of the end of September. It faces ¥23.7bn in loan repayments falling due in the 1980-81, in respect of which the company has been seeking to defer payment.

However, Japan Line, at the same time, expects some liquidity to arise from its current earnings recovery, and plans to appropriate from this for repayment of part of its borrowings from the coming fiscal year. The plan is based on the premise that both tanker and tramp markets remain strong and that the third annual rehabilitation programme will be carried out successfully.

Details of repayment (how loans should be repaid and which first) are to be discussed with the banks involved when the company has a clearer picture of earnings for 1980-81. The amount of repayment is likely to be about ¥8bn.

The banking syndicate granted a moratorium on repayment of loans for two years in succession, in 1978-79 and 1979-80, in return for a stringent rehabilitation programme, calling for the sale of unprofitable tramp ships, securities and other assets, reducing the charter rate for tankers, and laying off employees.

## Sharp swing to profit at Chrysler Australia

BY JAMES FORTH IN SYDNEY

CHRYSLER AUSTRALIA staged a strong recovery in 1979, with an A\$63m profit turnaround, enabling the group to declare its first ordinary dividend since starting operations in Australia in 1951. Chrysler recorded a profit of A\$12.3m (U.S.\$13.5m) for 1979, compared with a loss of A\$20.5m in 1978. It is the first profit since 1974, when the group earned a modest A\$2.57m. In 1976 and 1977, small losses were incurred followed by a A\$25.7m deficit in 1978.

The turnaround was largely the result of the success of the Mitsubishi Sigma, which is built and distributed by Chrysler. Sigma sales rose 32 per cent in 1979, and it easily maintained its position as Australia's top-selling four cylinder car.

Chrysler will pay a maiden dividend of 7.5 cents a share on its A class shares, which are listed on Australian stock exchanges, although the local ownership in Chrysler is less than 2 per cent. Sales for 1979 rose 17 per cent from A\$314m to A\$368m (U.S.\$403m). Chrysler will be looking to its updated Sigma range, due to be released publicly next month, to continue its strong profit run. Mitsubishi last year paid A\$27m for a one-third stake in Chrysler Australia and took an option to lift its stake to between 51 per cent and 80 per cent by August this year. Recent Japanese reports suggest that Mitsubishi will exercise its option, and pay a "somewhat higher" price per share because of the improved performance of the company and the present

capital requirements of the Australian group's ailing U.S. parent, Chrysler Corporation. Commenting on the results, the directors said that Chrysler Australia increased its sales of passenger and commercial vehicles by 32 per cent, although the industry as a whole declined by 0.4 per cent. Chrysler's penetration of the passenger vehicle market rose from 10.08 per cent to 11.02 per cent, the best performance since 1971. In the total vehicle market, Chrysler's share advanced from 8.6 per cent to 9.25 per cent, the highest since 1973. The directors said that the year's performance reflected improvements throughout the organisation as a result of the major investment and restructuring programmes put into effect over a three-year period.

## Boral seeks freedom to bid for Allgas

BY OUR SYDNEY CORRESPONDENT

BORAL, THE major building products group, wants the Queensland State Government to allow it to make a A\$7.5m (U.S.\$8.2m) takeover bid for one of Brisbane's two gas distribution companies, Allgas Energy. Boral acquired the other distributor, Brisbane Gas in 1971 and built up a holding of about 10 per cent in Allgas before the state government stepped in and blocked any prospect of a full takeover.

The government passed legislation restricting the maximum holding in "proclaimed" companies to 12.5 per cent. Allgas was proclaimed and Boral subsequently sold its 10 per cent stake in Allgas to AAR, the Queensland mining and gas company, now a subsidiary of the major industrial and mining group, CSR.

Boral wishes to make its offer through Brisbane Gas, but before it could do so, the state Government would have to rescind its proclamation of Allgas. Boral directors said that the offer was prompted by an expression of interest in Allgas by "unknown people". Boral referred to a circular letter from ABeckett and Company sent to many Allgas shareholders seeking to buy up to 12.5 per cent of the capital, at an effective price of A\$2.37 a share. This compares with recent market prices for Allgas of A\$2.50. Boral proposes to offer A\$5.00 for each Allgas ordinary share subject to the Queensland Government's approval.

Boral has been unable to discover the identity of the principals behind ABeckett, nor the identity of the clients seeking the Allgas stake.

## Comeng well ahead at midway

By Our Sydney Correspondent

COMENG HOLDINGS, the heavy engineering group, has raised its interim dividend, after increasing profits by 13 per cent, from A\$4.6m to A\$5.2m (U.S.\$5.7m) in the December half year.

The directors said they expected the full year's earnings to exceed last year's profit, pointing to another record result. They said that in recent months some important contracts had been won.

Profits included equity accounted earnings of Union Carriage and Wagon of South Africa, and the local iron founder, Bradken Consolidated, but the 21.4 per cent stake in Australian National Industries was brought to account on a dividends received basis only. The contribution from ANI rose by 10 per cent in the last half.

The group's properties have been revalued, adding A\$8m to the asset revaluation reserve.

## NEW CALEDONIA

## Riding the nickel rise

BY PHILIP BOWRING RECENTLY IN NOUMEA

NICKEL, a glamour metal of a decade ago, has lagged behind in the current minerals boom. There is now light at the end of the tunnel, however, for a company which operates from New Caledonia, one of the world's smallest territories, but has been generating some of the world's biggest losses. The company, Societe Le Nickel (SLN) is owned jointly by the Paris-quoted French Rothschild associate, Imetal and the state-owned Societe Nationale des Petroles d'Aquitaine. Its losses reached a peak of FF933m (\$145m) in 1978.

SLN's headquarters is at the Tour Maine-Montparnasse in Paris. But its operational heart is here in this still French South Pacific island, where it mines and processes some of the world's richest nickel ore. New Caledonia, a cigar shaped island roughly equidistant from Brisbane, Auckland, Fiji and the Solomon, produces about 12 per cent of the world nickel output.

SLN's losses in 1979 were reduced to only FF 132m, and if producer prices and volume demand remain at their current level, the company should be back in coming months. That is not just good news for Imetal

and Aquitaine. It is also a relief for the French Government itself, which has seen threats to the continuation of the French presence here from New Caledonia's high reliance on this one, loss-making product. Nickel products—ferro-nickel and nickel matte—and ore account for more than 80 per cent of New Caledonia's exports of FF 1.5bn a year. SLN itself accounts for more

Higher nickel prices promise an early return to profit for Societe Le Nickel, the French-owned mining company, and a boost for the New Caledonian economy

than 80 per cent of the nickel sales—all the products and some of the ore. SLN thus constitutes the main means of existence for the territory, and almost the sole reason why Europeans now constitute more than 35 per cent of the population of 130,000, outnumbering the indigenous Melanesians. Thus what happens to SLN is not just a commercial question, but is intimately bound up with the future of these Europeans and the continuation of France's presence in the South Pacific. Without this, it is doubtful

whether SLN would have been permitted to accumulate the losses that it has. The situation is improving rapidly, however, and if the improvement continues Aquitaine might eventually collect some dividends from SLN, and the French Government might reduce its direct subsidies to New Caledonia, which were partly occasioned by the nickel slump.

According to company officials here, the break-even price at its current rate of production, is US\$30 per pound. The good news for SLN is that the producer price has now risen to \$3.45 per pound. If demand holds, SLN should thus be able to increase its production. This has been pegged at 42,000 tons of nickel content for metallurgical products since April 1978. Production was cut, to contain losses and to reduce stockpiles. The production of 42,000 tons is only about 60 per cent of capacity.

At the time of the cutback, excess stocks amounted to about nine months' sales. At one time they were worth FF1.3bn. In 1978 alone, SLN's financing costs were FF215m, a major part of the FF593m loss. The big improvement came last year. Output was pegged at around the 1978 level, while exports of nickel products from New Caledonia rose 38 per cent.

Meanwhile, the high cost local workforce was cut by more than 10 per cent—a difficult move in such a small territory, and one which led to emigration of Europeans. By October this year the whole of the excess stock should have been sold off and an increase in output of some 20 per cent should be possible—without increasing the workforce.

Although the immediate future is therefore much brighter, the longer term prospects for nickel production in New Caledonia is mixed. A few years ago the island accounted for more than 20 per cent of world output. Because of economic and political factors, that has been cut almost in half. For SLN, improvement in the world nickel market should enable increases in production for several years without the need of new investment.

Deposits are rich, on the surface, and close to the sea. But most of the island's energy is provided by imported oil. Several competing producers have access to cheap hydro-electric power, and though New Caledonia's garnierite ore is rich, average grades mined are now 2.45 per cent—they have declined in recent years and the garnierite will be worked out in some 20 years.

The island has gigantic deposits of lower grade ore which should be exploitable. Both Amax and Inco, in conjunction

with majority French partners, have been engaged in feasibility studies of two new projects. However the fact that there is still large excess nickel capacity around the world, and the high local wage and infrastructure costs in New Caledonia make a go about unlikely in the near future. New Caledonians do not readily admit it, but there is also political uncertainty to be overcome unless the French Government itself is going to guarantee the several hundred million dollar investment required for a new project.

A more likely way of increasing exports of nickel from the island would be the establishment of a smelter in a country with cheap power and low political risk. In this context, New Zealand interests are known to have had talks with New Caledonian ore miners (other than Le Nickel) on the possibility of building a smelter in New Zealand's South Island to take advantage of cheap hydro-electric power there. However, marketing the nickel metal might be a problem, and SLN might see its own position as being undermined by such a move. Ideally, New Caledonia would like to see more ore treated locally, but in the short term it would like to increase ore exports.

Japan is the main market. Ore sales recovered by 40 per cent last year to 45,000 tons (metal content), but are still far from the early '70s peak of 75,000 tons. Japanese buyers were said to be badly squeezed during the nickel boom and have since tended to stay away from New Caledonia. At the same time, the oncoming of new mines in Indonesia and the Philippines has enabled Japan to widen its choice of source in Asia.

Japan is also more keen to buy from independent Asian nations with which it has important commercial and political relations than to deal heavily with a French territory which is regarded with some suspicion in the Pacific and has formidable barriers against Japanese products. Thus while the gloom has lifted from SLN and its nickel island, there is little prospect of a return to the boom days.

### NOTICE OF PURCHASES

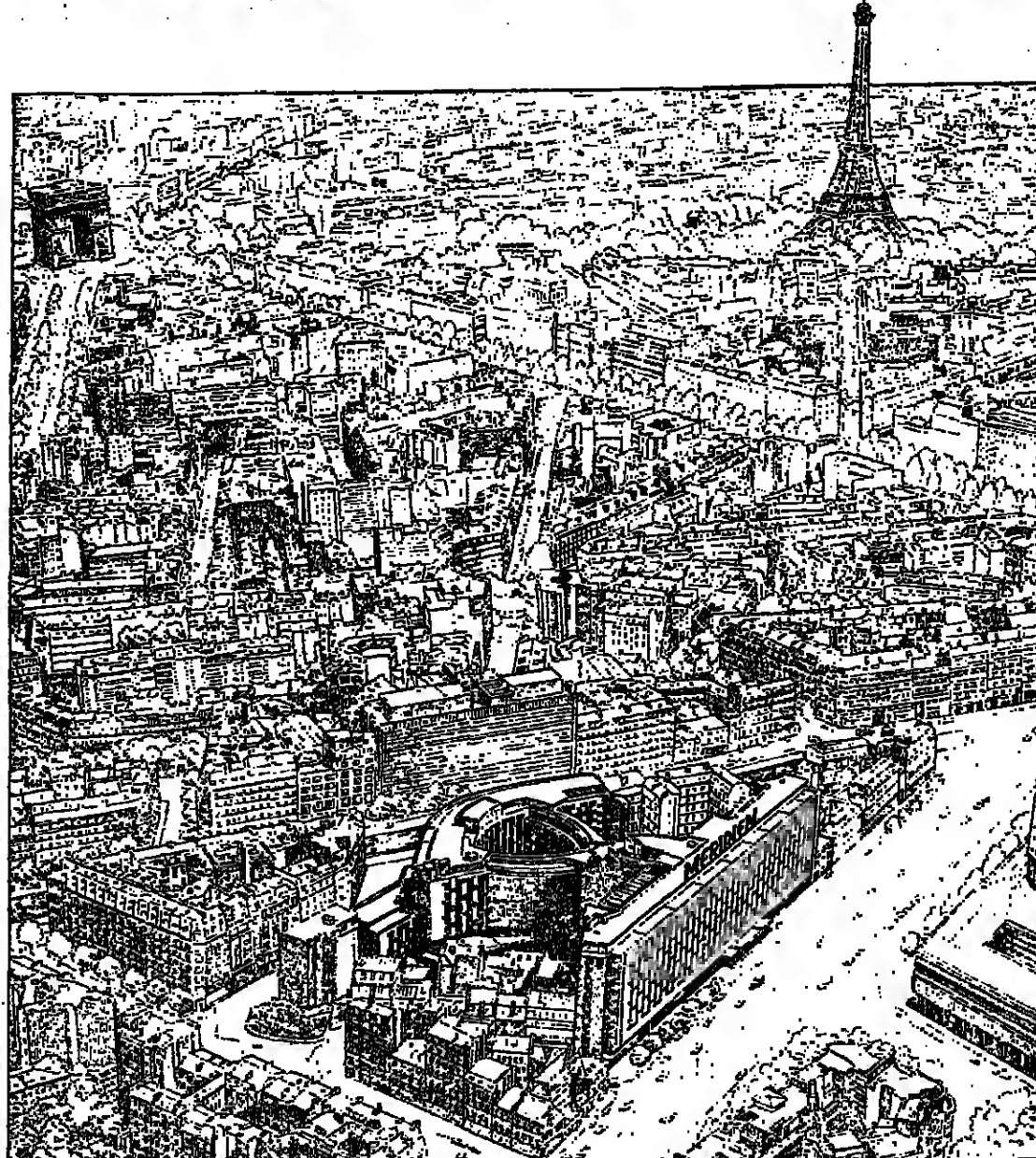
To the Holders of  
Mo och Domsjö Aktiebolag  
MoDo  
9½% Bonds Due 1983

NOTICE IS HEREBY GIVEN that, pursuant to the provisions of the Bonds of the above described issue, an aggregate principal amount of \$1,000,000 was purchased in the market during the twelve month period ending February 15, 1980, and such Bonds have been surrendered to Morgan Guaranty Trust Company of New York, as Trustee. The principal amount remaining outstanding is \$22,000,000.

Mo och Domsjö Aktiebolag

مكتبة النخيل

## BE IN THE RIGHT PLACE.



BESIDE THE ETOILE, OPPOSITE THE PALAIS DES CONGRES AND THE AIR FRANCE TERMINAL, BETWEEN THE CHAMPS ELYSEES AND LA DEFENSE: THE MERIDIEN PARIS.

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MERIDIEN  
PARIS

81, bd Gouvion-St-Cyr 75007 Paris - Tél. (Intern. 33.1) 756.12.30 - Télex 290952 câble Homet.

## بنك البحرين العربي الأفريقي (ش.م.) al bahrain arab african bank (e.c.) ALBAAB

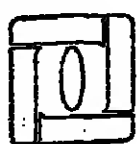
BALANCE SHEET AS AT 31st DECEMBER 1979

ASSETS	US \$ 000	US \$ 000
<b>CASH AND BANKS</b>		
Cash and due from Banks	48,514	
Certificates of Deposit	6,366	
Fixed Deposits	155,925	
		210,805
<b>MARKETABLE SECURITIES</b>		528
<b>LOANS &amp; ADVANCES</b>		20,695
<b>OTHER DEBIT ACCOUNTS</b>		2,123
<b>FIXED ASSETS (After Depreciation)</b>		186
<b>Total Assets</b>		234,337
<b>CLIENTS' LIABILITIES FOR LETTERS OF CREDIT AND LETTERS OF GUARANTEE (as per contra)</b>		6,421
<b>Grand Total</b>		240,758
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>		
<b>DEMAND AND FIXED DEPOSITS BANKS</b>		67,190
Due to Banks	10,440	
Fixed Deposits	122,770	
		133,210
<b>SHAREHOLDERS' SUBORDINATED LOAN OTHER CREDIT ACCOUNTS AND PROVISIONS</b>		5,000
<b>Total Liabilities</b>		207,961
<b>SHAREHOLDERS' EQUITY</b>		
Authorised Capital	50,000	
Subscribed and Paid Up Capital	25,000	
Statutory Reserve	138	
General Reserve	1,000	
Profit Carried Forward	238	
<b>Total Shareholders' Equity</b>		26,376
<b>Total Liabilities and Shareholders' Equity</b>		234,337
<b>BANK'S LIABILITIES FOR LETTERS OF CREDIT AND LETTERS OF GUARANTEE (as per contra)</b>		6,421
<b>Grand Total</b>		240,758

bab

### WELCOME BACK GEORGE

CITICORP INTERNATIONAL BANK LIMITED



We are pleased to announce that  
**Norman E. Lawrence**  
has been appointed to conduct  
International Trading and Arbitrage

**Oppenheimer & Co. Ltd.**

Portland House, 72/73 Basinghall Street,  
London EC2V 5AJ  
Telephone: 01-606 3271











## Companies and Markets

# Gold tumbles and index sustains biggest-ever loss

## Gilts and equities edge forward—Oils steadier

## Account Dealing Dates

\*First Declared Last Account  
Dealings Dealings Day  
Feb. 25 Mar. 6 Mar. 7 Mar. 17  
Mar. 10 Mar. 20 Mar. 21 Mar. 31  
Mar. 24 Apr. 10 Apr. 11 Apr. 21  
Mar. 25 Apr. 11 Apr. 12 Apr. 22

\*New time\* Dealings may take place from 8 a.m. to 2 business days

A quiet and usually firm scene in stock markets was unwarmed yesterday by a steep slide in the South African Gold shares and by a lesser setback in Australian mining issues. The former ran into formidable selling from a variety of sources generated by lower bullion prices for the fourth consecutive day, while the latter sector was unsettled by the continued liquidation of speculative positions in base-metal and commodity markets.

Gold shares were unable to sustain a recovery until the late dealings and then prices came away from the lowest fairly rapidly. Losses, however, still ranged to nearly four points among the marginal and heavier-priced producers. The FT Gold Mines index, in consequence, suffered its largest ever single-day fall of 38.9 to 288.6. Australian mining and exploration issues fell on the late overnight weakness in base-metal prices.

Meanwhile, Government securities continued to edge forward and the tone was mildly encouraged by February's back-to-back statistics. However, late scattered offerings, some on foreign account, pared gains at both ends of the market from about 1/2 to 1. Hopes that the protracted steel dispute would soon be settled also helped sentiment generally.

Leading shares were faltering for the first hour or so but grew more confident in the absence of any further falls in the oil majors and the more speculative shares. The FT 100 index, which was 0.8 higher at the close of the day, that much firmer at noon and finally 3.3 up on balance at 455.0. Consistent changes were seldom more than a penny or two with the notable exceptions of

Guest Keen and Turner and Newall, the latter rising 1/2 to 127p awaiting today's preliminary results. Activity in Traded options was further reduced with only a few contracts completed compared

with last week's daily average of 772. The only issues to attract a reasonable business were Shell, 121, RTZ, 103, and BP, 101.

## Sedgwick Forbes up

Lloyds brokers were featured by a rise of 4 to 87p, after 85p, in Sedgwick Forbes following satisfactory preliminary results. Other issues hardened in sympathy with Milet up 4 at 100p and Hogg Robinson a couple of pence dearer at 108p. Composites closed quietly. Royal Bank gained 3 to 333p and GRE 2 to 240p; the latter's annual results are due on April 9.

The major clearing banks took a modest turn for the better, Lloyds closed 4 higher at 289p following the annual report while Midland edged forward a penny to 326p ahead of Friday's results. In merchant banks, Bisco Shipley were favoured at 302p, up 6, but Hambros relinquished 3 to 330p UTD hardened a penny in 355p in belated response to Press comment on the day. Elsewhere, Cement Roadstone responded to the preliminary figures with a rise of 4 to 82p, while the recovery in half-yearly profits prompted a gain of 5 to 110p in J. Jarvis. Other bright spots included SGB, up a similar amount at 289p, and Vihopro, 10 higher at 390p.

ICI fluctuated narrowly before closing unchanged on the day at 370p. Elsewhere in the Chemical sector, falls of a few pence were marked against Bencel, 299p, Catalpa, 79p, and Allied Colloids, 123p.

## Status Discount good

A Press suggestion that MFI may launch a bid for Status Discount sparked off speculative buying of the latter which rose steadily and closed 6 1/2 at 71p, after 72p. Elsewhere in Stores, Home Charm, however, popular and rose 6 to 145p and Bakers Household improved 2 to 99p. The leaders failed to attract much business but closed firmer for choice. Woolworth hardened a fraction to 63p, awaiting today's preliminary results.

Leading Electricals rarely strayed far from overnight

closing levels. Thorn closed 4 firmer at 318p and GEC a shade dearer at 374p, but Racal, 2 cheaper at 299p, continued to trend lower. Elsewhere, scattered support lifted Electronic Rentals 3 to 109p, but Lous Newman, a particularly good market of late, reacted 8 in 300p in a limited market. BSR improved a penny to 33p awaiting today's preliminary results, while

Turner & Newall firm

An unsettled market of late following Mr. Mugabe's success in the Rhodesian election, Turner & Newall revived

gave up 3 to 57p. Dull of late on fears of poor results due to increased VAT rates, George Bassett rallied 4 to 86p. Alpine Soft Drinks led support and fell 5 to 90p.

Grand Metropolitan made modest headway in thin trading ended 3 lower on balance at 631p, after 67p. Other Motors were irregular. Lex food support and hardened 2 to 82p, but Calrys, 153p, and Appleys, 75p, both shed around 3.

Reflecting hopes that interest rates have peaked, Properties made further useful progress although demand was fairly modest. Land Securities led the advance with a rise of 7 to 300p, while MEPC gained 6 to 204p and Great Portland Estates rose 5 to 235p. Peachey appreciated 4 to 185p as did Stock Conversion to 272p. London Provincial Shop jumped 12 to 309p and Estates and Agency improved 3 to 97p.

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Textiles. Mootford firmed a penny to 89p in front of today's annual results, while Strdar added 2 to 16p on speculative demand. Lister picked up a penny more to 85p, but recently

edged up 7 to 25p and Hawker firmed 4 to 178p, while Tones, 294p, and John Brown, 56p, both closed a shade dearer. Interest in secondary issues was at an extremely low level and quotations were rarely altered. Among the few changes, Ductile Steels responded to better-than-expected interim figures with a rise of 4 to 82p. Alcoa Aluminium continued firmly and put on 3 more to 105p, but Amalgamated Power, a recent speculative favourite, reacted 3 to 92p.

Despite a denial from S. and W. Berisford of any takeover intention, British Sugar continued to draw strength from Monday's disclosure that the former has acquired a near 10 per cent stake in the company and the shares improved 10 to 170p; Berisford eased 1p to 151p. Elsewhere among generally firmer Foods, Associated Dairies rose 6 to 154p, while Tate and Lyle added a few pence to 145p. Rowat's Nactoshes shed penny more to 145p, while United Biscuits

yesterday with a rise of 6 to 127p on buying ahead of today's preliminary results. Other miscellaneous industrial leaders trended around the overnight levels for most part of the day before edging a penny or two higher late. Reckitt and Colman finally added 4 to 205p and Boots put on 2 to 192p. Johnson Matthey fell 12 to 250p reflecting the sharp drop in precious metal prices. Vinten were sold down to 125p before closing a net 6 lower at 132p. Johnson Group Cleaners gave up 1 to 172p, after 170p, after the results and Pentos closed a penny off at 60p after 61p, also after trading news. Still drawing strength from the excellent interim figures, Parker Knoll A rose 9 to a two-day advance of 24 to 122p, while Stag Furniture scored a sympathetic rise of 5 to 183p. J. Bibby put on 2 to 158p following the better-than-expected annual results and Gripwelds rose 4 to 192p on revived speculative support. Applied Computers added 5 to 27p.

330p as did Clement Clarke, to 120p, and ICL to 136p. Negretti and Zambra relinquished 3 to 561p.

After early firmness, support for Rolls-Royce fell away on reflection of Moody's preliminary results and the shares ended 3 lower on balance at 631p, after 67p. Other Motors were irregular. Lex food support and hardened 2 to 82p, but Calrys, 153p, and Appleys, 75p, both shed around 3.

Reflecting hopes that interest rates have peaked, Properties made further useful progress although demand was fairly modest. Land Securities led the advance with a rise of 7 to 300p, while MEPC gained 6 to 204p and Great Portland Estates rose 5 to 235p. Peachey appreciated 4 to 185p as did Stock Conversion to 272p. London Provincial Shop jumped 12 to 309p and Estates and Agency improved 3 to 97p.

Oil shares took on a distinctly better appearance after the recent sharp setback. Following the news of the agreed counter-bid from Suez Company Inc., dealings resumed to Viking Oil at 110p, compared with the suspiciously priced of 910p. News of the Viking offer encouraged scattered support for other secondary North Sea issues, with Sleheens (UK) rallying further to 600p before settling at 570p for a rise of 20 on the day. Lasso firming to 460p, while recent newcomer Berkeley Exploration firmed 5 dearer at 100p, after 102p. Elsewhere, Weeks Petroleum closed 10 lower at 380p after the annual results. Among the leaders, BP, awaiting tomorrow's preliminary results, firmed to 36p before closing a few pence cheaper on the day at 362p. Shell, however, ended 6 to the good at 382p.

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INDICES

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Continued on previous page.







## FINANCE LAND—Continued

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# AWA SECURITIES

## MINES—Continued

### CENTRAL AFRICAN

	1979-80 High Low	Stock	Paid	Yld	Div	1978-79 High Low	Stock	Paid	Yld	Div
1.23	97	Cornwall	245	35	05%	1.23	97	245	35	05%
1.27	132	Falcon Re. 50%	185	30	00:02	1.27	132	185	30	00:02
1.43	107	Gold Fields	170	30	00:02	1.43	107	170	30	00:02
1.45	107	Gold Fields	170	30	00:02	1.45	107	170	30	00:02
1.46	107	Gold Fields	170	30	00:02	1.46	107	170	30	00:02
1.47	107	Gold Fields	170	30	00:02	1.47	107	170	30	00:02
1.48	107	Gold Fields	170	30	00:02	1.48	107	170	30	00:02
1.49	107	Gold Fields	170	30	00:02	1.49	107	170	30	00:02
1.50	107	Gold Fields	170	30	00:02	1.50	107	170	30	00:02
1.51	107	Gold Fields	170	30	00:02	1.51	107	170	30	00:02
1.52	107	Gold Fields	170	30	00:02	1.52	107	170	30	00:02
1.53	107	Gold Fields	170	30	00:02	1.53	107	170	30	00:02
1.54	107	Gold Fields	170	30	00:02	1.54	107	170	30	00:02
1.55	107	Gold Fields	170	30	00:02	1.55	107	170	30	00:02
1.56	107	Gold Fields	170	30	00:02	1.56	107	170	30	00:02
1.57	107	Gold Fields	170	30	00:02	1.57	107	170	30	00:02
1.58	107	Gold Fields	170	30	00:02	1.58	107	170	30	00:02
1.59	107	Gold Fields	170	30	00:02	1.59	107	170	30	00:02
1.60	107	Gold Fields	170	30	00:02	1.60	107	170	30	00:02
1.61	107	Gold Fields	170	30	00:02	1.61	107	170	30	00:02
1.62	107	Gold Fields	170	30	00:02	1.62	107	170	30	00:02
1.63	107	Gold Fields	170	30	00:02	1.63	107	170	30	00:02
1.64	107	Gold Fields	170	30	00:02	1.64	107	170	30	00:02
1.65	107	Gold Fields	170	30	00:02	1.65	107	170	30	00:02
1.66	107	Gold Fields	170	30	00:02	1.66	107	170	30	00:02
1.67	107	Gold Fields	170	30	00:02	1.67	107	170	30	00:02
1.68	107	Gold Fields	170	30	00:02	1.68	107	170	30	00:02
1.69	107	Gold Fields	170	30	00:02	1.69	107	170	30	00:02
1.70	107	Gold Fields	170	30	00:02	1.70	107	170	30	00:02
1.71	107	Gold Fields	170	30	00:02	1.71	107	170	30	00:02
1.72	107	Gold Fields	170	30	00:02	1.72	107	170	30	00:02
1.73	107	Gold Fields	170	30	00:02	1.73	107	170	30	00:02
1.74	107	Gold Fields	170	30	00:02	1.74	107	170	30	00:02
1.75	107	Gold Fields	170	30	00:02	1.75	107	170	30	00:02
1.76	107	Gold Fields	170	30	00:02	1.76	107	170	30	00:02
1.77	107	Gold Fields	170	30	00:02	1.77	107	170	30	00:02
1.78	107	Gold Fields	170	30	00:02	1.78	107	170	30	00:02
1.79	107	Gold Fields	170	30	00:02	1.79	107	170	30	00:02
1.80	107	Gold Fields	170	30	00:02	1.80	107	170	30	00:02
1.81	107	Gold Fields	170	30	00:02	1.81	107	170	30	00:02
1.82	107	Gold Fields	170	30	00:02	1.82	107	170	30	00:02
1.83	107	Gold Fields	170	30	00:02	1.83	107	170	30	00:02
1.84	107	Gold Fields	170	30	00:02	1.84	107	170	30	00:02
1.85	107	Gold Fields	170	30	00:02	1.85	107	170	30	00:02
1.86	107	Gold Fields	170	30	00:02	1.86	107	170	30	00:02
1.87	107	Gold Fields	170	30	00:02	1.87	107	170	30	00:02
1.88	107	Gold Fields	170	30	00:02	1.88	107	170	30	00:02
1.89	107	Gold Fields	170	30	00:02	1.89	107	170	30	00:02
1.90	107	Gold Fields	170	30	00:02	1.90	107	170	30	00:02
1.91	107	Gold Fields	170	30	00:02	1.91	107	170	30	00:02
1.92	107	Gold Fields	170	30	00:02	1.92	107	170	30	00:02
1.93	107	Gold Fields	170	30	00:02	1.93	107	170	30	00:02
1.94	107	Gold Fields	170	30	00:02	1.94	107	170	30	00:02
1.95	107	Gold Fields	170	30	00:02	1.95	107	170	30	00:02
1.96	107	Gold Fields	170	30	00:02	1.96	107	170	30	00:02
1.97	107	Gold Fields	170	30	00:02	1.97	107	170	30	00:02
1.98	107	Gold Fields	170	30	00:02	1.98	107	170	30	00:02
1.99	107	Gold Fields	170	30	00:02	1.99	107	170	30	00:02
2.00	107	Gold Fields	170	30	00:02	2.00	107	170	30	00:02

### AUSTRALIAN

28	18	Acacia 50%	23	30	05%
115	50	Banded Corp.	188	30	05%
24	107	Barroo 50%	188	30	05%
135	50	Barroo 50%	188	30	05%
135	50	Barroo 50%	188	30	05%
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135	50	Barroo 50%	188	30	05%
135	50	Barroo 50%	188	30	05%
135	50	Barro			

Gen. Electric	30	Red Intnl.	17	Tricentral	35
Gen. Motors	30	Rockwell	17	Ultramar	30
Gen. Sls.	30	Sears	17		
Grand Mar.	12	Tenn	25		
G.I.S. & A.	22	Texas	25	Miner	
Goodyear	30	Trans	17	Chew Cons.	18
Goodyear	30	Trust Indus	17	Cons. Gold	52
G.R.N.	22	Tube Invest.	27	Lanthe	52
Harvard Sld	15	Univ. of Ill.	4	Life 17 Cn	35
Heise of Print	30				

A selection of Options traded is given on the London Stock Exchange Report page

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